

INITIATING COVERAGE

Hindalco Industries Ltd.

Integrated player in the Aluminium

Buy

Current Price: Rs. 965 | Market Cap: Rs. 2,168 Bn

25th June 2026



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Integrated player in the Aluminium

Hindalco Industries Limited (Hindalco), established in 1958, is a metals-focused company of the Aditya Birla Group and a globally diversified powerhouse across the aluminium and copper sectors. Its vertically integrated operations span domestic bauxite mining, alumina refining, primary smelting, and high-value downstream solutions like rolling, extrusions, and foils. This extensive domestic presence also extends to its copper business, with the world's largest single-location custom smelters at Dahej. In the Copper segment Hindalco produces copper cathodes and continuous cast rods. Internationally, Hindalco's global scale was cemented by acquiring Novelis in 2007, securing its position as the world's leading aluminium recycler and the leader in flat-rolled products globally. Today, the Company operates a robust network of 52 manufacturing facilities across 10 countries, delivering specialized, high-end solutions to demanding global industries including aerospace, EV mobility, and sustainable packaging.

Capacity expansion to drive revenue growth

The Company is executing a massive \$10 Bn mega capex programme (2025–2030), of which ~Rs.316 Bn got deploy in FY26 to expand its upstream, downstream, and recycling capacities across the aluminium value chain. Domestically, downstream aluminium capacity has scaled from 430 KTPA to ~650 KTPA, driven by the commissioning of the Aditya FRP and Battery Foil facilities. To support this downstream growth, the Company is systematically building out its upstream footprint by expanding the Aditya Alumina Refinery to 4,660 KTPA and increasing primary aluminium smelting capacity to 1,714 KTPA. Globally, the Company's market leadership is being reinforced by Novelis' \$ 3.2 Bn greenfield facility at Bay Minette, USA, which will add 600 KTPA of capacity and push total rolling capacity to ~4.8 Mn MT. Together, these synchronized domestic and global expansions solidify Hindalco's position as a fully integrated industry leader with strong revenue visibility.

Captive Bauxite mine

The Company possesses a superior structural advantage in its aluminium chain through deep backward integration, shielding it from external supply shocks. Its primary smelting and refining operations are fully backed by the captive Baphlimali bauxite mines, which boast a robust 8.5 Mn MT production capacity and ~197 Mn MT in reserves. Unlike domestic peers that remain heavily exposed to third-party ore availability, regulatory delays, and import cost volatility, this secure internal pipeline grants Hindalco exceptional raw material visibility.

View and Valuation

The Company is projected to expand capacity across all business segments, shifting its focus toward value-added products to capture higher margins. Driven by its captive bauxite reserves and Novelis' extensive aluminium recycling and FRP capacity, the Company is well-positioned to strengthen its market standing in both aluminium and copper division. Consequently, we initiate coverage on HINDALCO with a BUY rating, valuing the business on the SOTP basis at an FY28E Enterprise Value of Rs 3,267 Bn on consolidated basis, which implies a ~ 19.6% upside.

BUY

CMP Rs. 965

TARGET Rs. 1,154 (+19.6%)

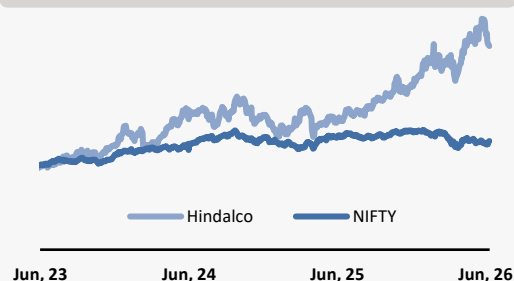
Company Data

Bloomberg Code	HNDL IN
MCAP (Rs. Bn)	2,168
O/S Shares (Mn)	2,247
52w High/Low	1,176 / 640
Face Value (in Rs.)	1
Liquidity (3M) (Rs. Bn)	6.46

Shareholding Pattern %

	Mar 26	Dec 25	Sept 25
Promoters	34.6	34.6	34.6
FII's	29.9	28.2	28.1
DII's	21.7	23.5	24.5
Non-Institutional	13.7	13.7	12.8

HINDALCO vs Nifty



Key Financial Data

(Rs. Bn)	FY26	FY27E	FY28E
Revenue	2,749	3,099	3,164
EBITDA	349	415	411
Net Profit	134	164	148
Total Assets	3,447	3,500	3,690
ROCE (%)	11%	9%	8%
ROE (%)	10%	11%	9%

Source: Company, Keynote Capitals Ltd.

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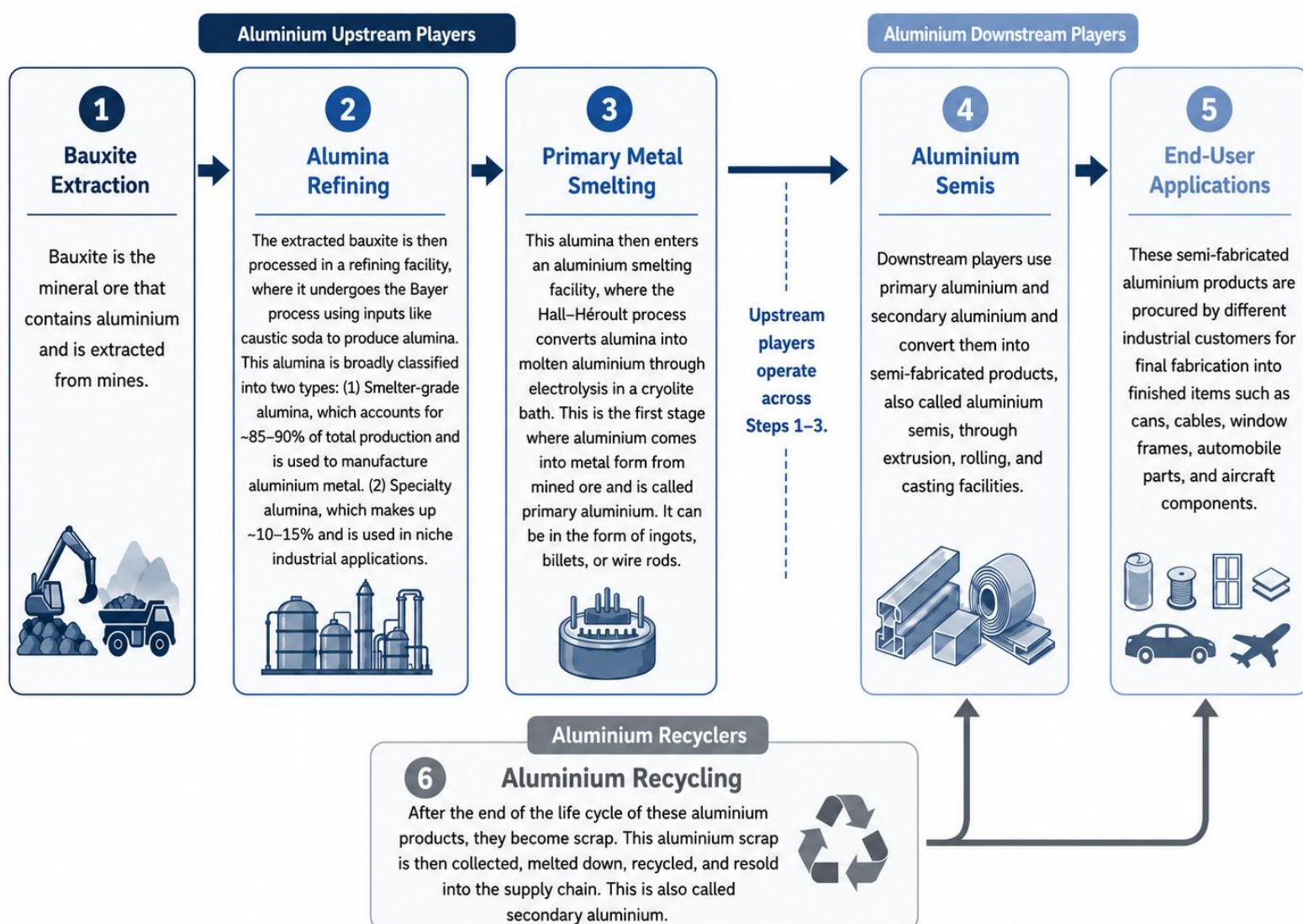
Aluminium Industry

Aluminium Metal

Aluminium is a non-ferrous metal with properties such as lightweight, recyclability, conductivity, corrosion resistance, and durability, making it the second most consumed metal in the world after steel, with an annual consumption of 97.8 Mn MT in 2023, according to Vision aluminium document. Aluminium is the third most abundant element, after oxygen and silicon, and constitutes ~8% of the Earth's crust. Bauxite is the key mineral ore used to produce aluminium.

Due to these characteristics, aluminium is widely used across sectors such as automobiles, construction, packaging, electrical, machinery and equipment, and consumer durables.

Aluminium Value Chain



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Global aluminium industry

Raw material Scenario (Bauxite & Alumina)

Global bauxite reserves stand at 29.76 Bn MT, representing deposits that are currently considered economically viable to mine and extract. These reserves are highly concentrated, with Guinea, Vietnam, and Australia together accounting for ~66% of the total. Guinea holds the largest share at ~24%, followed by Vietnam at ~19% and Australia at ~12%. On the production side, global bauxite output grew at a CAGR of 5.2% between 2001 and 2023, with Australia producing ~98 Mn MT and Guinea ~97 Mn MT of bauxite in 2023.

However, this reserve base should not be confused with total bauxite resources. As per the US Geological Survey, potential global bauxite resources are estimated to be much larger, in the range of ~55–75 Bn MT.

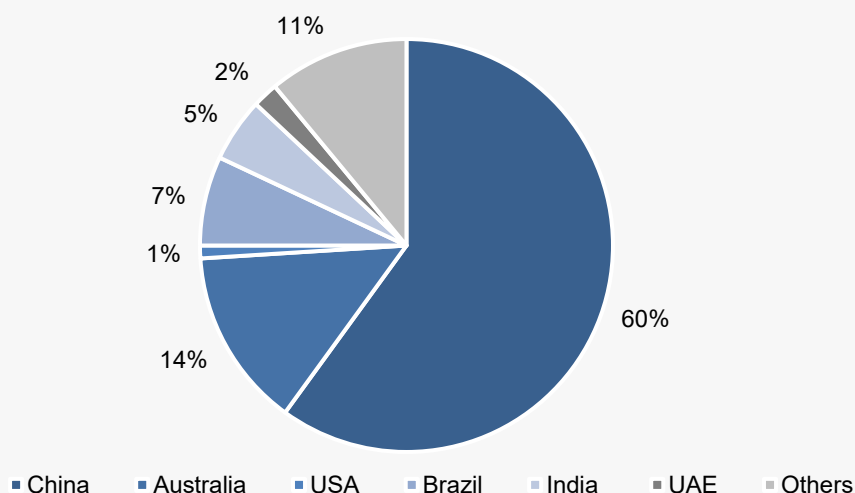
From a trade perspective, China is the world's largest bauxite importer, accounting for ~87.6% (141.57 Mn MT of Bauxite) of global bauxite import volumes in 2023. This is despite the country having its own bauxite reserves of ~710 Mn MT. The reason is simple: China's domestic bauxite mining output is not sufficient to feed its massive primary aluminium production capacity. As a result, the country remains structurally dependent on imported bauxite. In 2023, the key bauxite-exporting countries were Guinea, Australia and Brazil.

Global bauxite production data indicates that China is the third-largest producer of bauxite after Guinea and Australia, despite having lower reserves. This suggests that China may be producing bauxite more aggressively from its smaller reserve base and operating at higher utilisation compared with these larger reserve-holding countries to meet domestic demand.

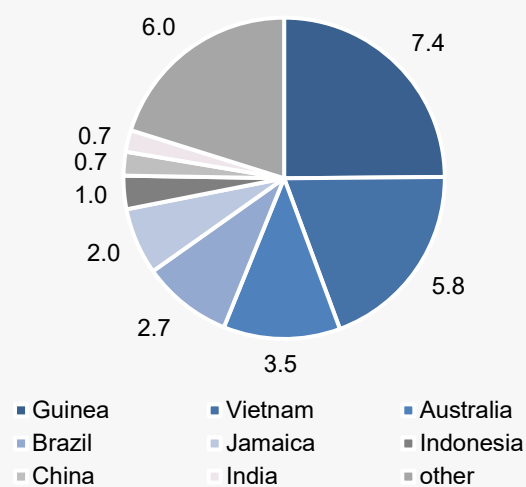
Alumina Scenario

Global alumina production increased at a 4.89% CAGR from 2001 to 2023, reaching 137 Mn MT in 2023. China contributed 60% of global production, with an output of 82 Mn MT. China's higher contribution to global alumina production can be explained by its higher bauxite consumption, meet though Higher imports and aggressive domestic production.

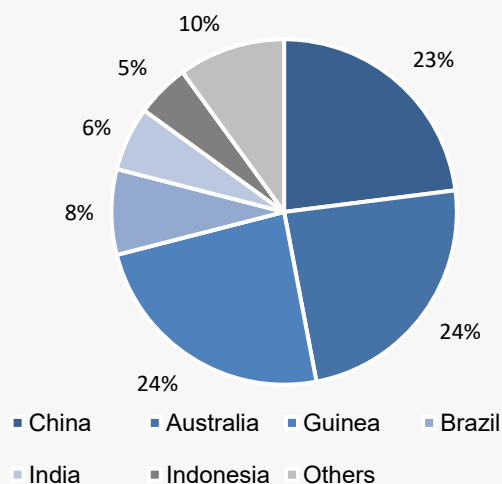
Alumina Production contribution - 137.5 Mn MT (2023)



Global Reserves, 29.76 Bn MT (2023)



Bauxite Production contribution - 400 Mn MT (2023)



Source: Vision document aluminium – 2025 , Keynote Capitals

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Primary Aluminium

Global primary aluminium production grew at a CAGR of 4.8% between 2001 and 2025, rising from 24.5 Mn MT to 74 Mn MT. In FY25, China contributed ~60.8% of global output at 45.0 Mn MT. India remained the world's second-largest producer, contributing 4.2 Mn MT, or ~5.7% of global production.

The key difference between these two large players is that China has a clear cost and scale advantage in primary aluminium due to abundant coal-based power, strong government support, and rapid smelter capacity expansion to meet massive domestic demand. In contrast, India has bauxite reserves, but capacity addition has remained slower due to higher power and logistics costs, regulatory delays, and a smaller downstream aluminium ecosystem.

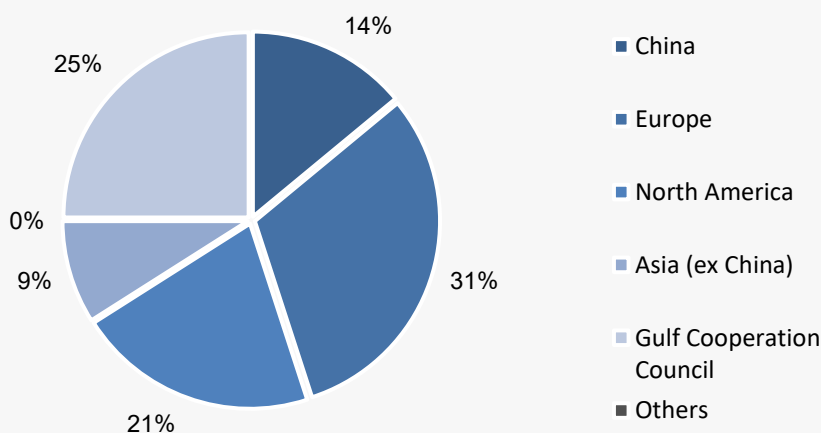
As per the Vision Document Aluminium 2025 (GOI), to produce 1 Mn MT aluminium, 2 Mn MT alumina are required and to produce 2 Mn MT alumina 6–7 Mn MT bauxite are required.

Global Shift

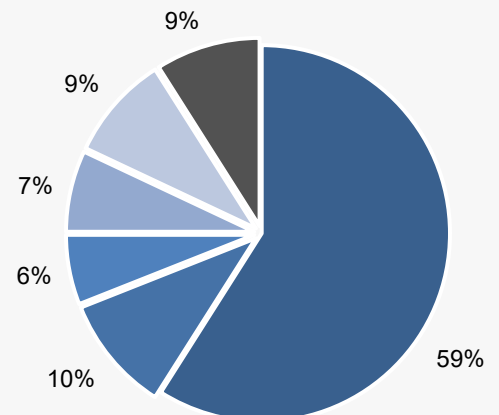
Over the past two decades, global primary aluminium production has witnessed a sharp geographic realignment, with Western regions (North & South America, Europe, Russia) seeing their share decline from ~60% in 2001 to ~17% in 2023, while Asia and the Gulf increased their share from ~23% to ~74%. This shift has been driven by high energy costs, stringent environmental norms to control carbon emissions in the smelting process through indirect carbon taxes and penalties, and aging smelting infrastructure in the West, leading to widespread capacity closures and increased import dependence. For instance, U.S. production has declined from ~4.65 Mn MT around 1980 to sub-1 Mn MT at current levels.

In contrast, production growth has been concentrated in China, the Middle East, and India, supported by structural cost advantages. China has emerged as the dominant producer with ~59% global share in 2023, backed by state support, vertical integration, and coal-based power access. The Middle East and India, each contributing ~9% and 6% respectively, have leveraged low-cost energy and resource availability, positioning themselves as key global suppliers and reshaping the industry's cost curve as of 2023.

2001 Share (%), Primary Aluminium Production at 24.5 Mn MT



2023 Share (%) , Primary Aluminium Production at 70.6 Mn MT



Source : Vision document aluminium - 2025, Keynote Capitals

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Downstream aluminium

The downstream industry is involved in the manufacturing of semi-fabricated products also called Value Added Products (VAP) from primary aluminium and secondary aluminium. Globally, aluminium extrusions are the most consumed downstream product, constituting nearly 31.5% of global downstream product consumption, followed by Flat-Rolled Products (FRP) (24.9%), castings (22.3%), wire rods (8.1%), and foils (6.2%) and other (5.6%) as of 2023.

Extrusion products are primarily used across construction, automotive, and transportation segments. FRP finds application in aerospace, packaging, marine, and electronics. Casting products are largely consumed in the automotive and industrial Machinery sectors, while wire rods are predominantly used in electrical and power applications.

China dominates downstream applications as well, with a 30.3% share in global aluminium downstream product exports as of 2023, ~6 Mn MT of semi-manufactured products and ~3 Mn MT of manufactured products. In the case of India, domestic downstream production capacity was 3.9 Mn MT in FY2020 and is expected to double to ~8 Mn MT by FY2030.

Region/country-wise breakdown of dominance in specific categories:

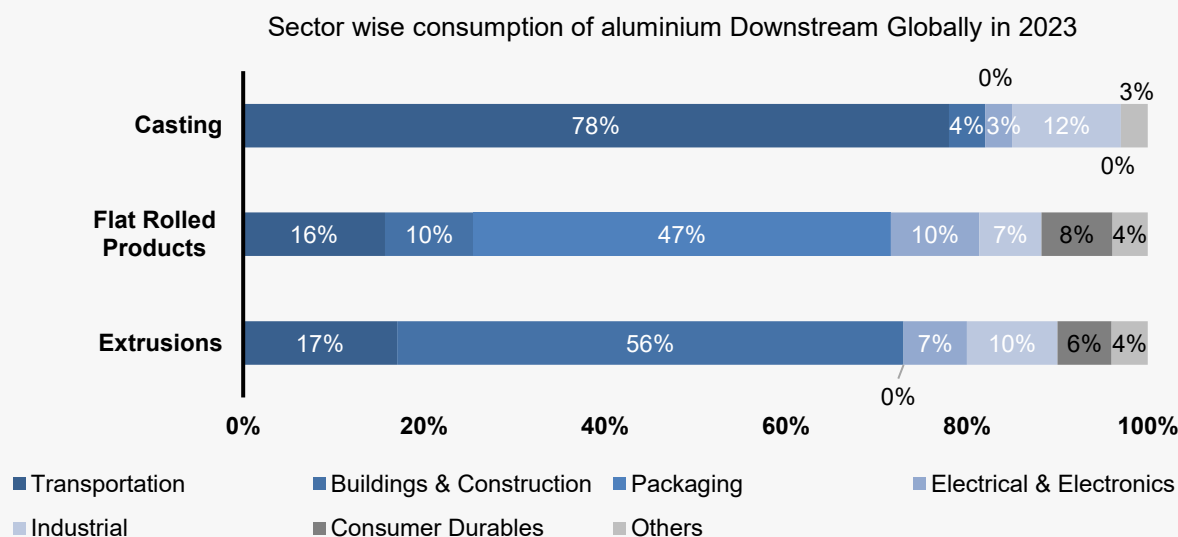
China – China dominates downstream aluminium across extrusions, foil, castings, and a large share of FRP, driven by scale and integrated manufacturing. Its strength is supported by policy-led value addition and strong demand from EVs, solar, and construction. ~95% of aluminium exports are downstream basis on the total aluminium export volumes, reflecting a clear focus on value-added products.

North America (U.S. & Canada) – North America is strong in FRP, particularly can sheet and automotive body sheet, backed by advanced processing capabilities. Demand is driven by transportation, packaging, and aerospace, with transportation as the largest segment. The region focuses on high-specialised products over cost advantage.

Europe – Europe leads in automotive-grade aluminium, aerospace alloys, packaging, and recycled products, supported by strong engineering and recycling capabilities. Its edge lies in low-carbon aluminium and high-value applications. Transportation accounts for ~33% of demand, anchoring downstream consumption.

India – India is emerging in wire rods, cables, extrusions, and castings, with strength in electrical applications. Growth is driven by power, infrastructure, and manufacturing push. The country is a key exporter of aluminium wire and cables globally.

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Source - Vision document aluminium -2025 , Keynote Capitals

Aluminium recycling (secondary aluminium)

In 2023, secondary (recycled) aluminium contributed to 29% of total global aluminium demand. Over the last two decades, secondary aluminium, or recycled aluminium, has surpassed the growth rate of primary aluminium and grew at a 5.5% CAGR, whereas primary aluminium grew at a 4.8% CAGR. The structural shift toward secondary aluminium is being driven by tightening emission regulations and carbon pricing mechanisms, given its ~90–95% lower carbon footprint compared to primary, along with favourable cost economics and lower capital intensity, as production requires only ~5–7% of the energy consumed in primary aluminium.

The increasing shift toward secondary aluminium has structurally elevated the importance of aluminium scrap as a key raw material, alongside bauxite and alumina. Scrap is broadly classified into new scrap (generated during primary aluminium production) and old scrap (sourced from end-of-life products such as beverage cans, automobiles, buildings, and cables). Global aluminium scrap generation reached ~37.7 Mn MT in 2021 (~2.9x growth since 2001), reflecting rising recycling intensity. China was the largest Aluminium scrap generator, having 33% share in the globally generated scrap, followed by North America (21%) and Europe (18%).

End-of-Life Recycling Rate (EOL-RR) is defined as the ratio of Recycled End of Life metal to the End-of-Life metal products and measures the effectiveness of the overall recycling ecosystem. The metric is derived from two major components: 1) Scrap Collection Rate, which indicates how much end-of-life aluminium scrap is collected, and 2) Recycling Efficiency (Yield), which measures how much usable aluminium is recovered after melting and processing losses. China is the world's largest aluminium scrap generator, contributing ~33% of global scrap generation, supported by recovery rates of ~80%. However, despite strong domestic recovery, China remains a net importer, accounting for ~14% of global scrap trade, driven by rising secondary aluminium demand. In contrast, Europe leads globally in recycling efficiency (~81%) and scrap recovery (~79%), resulting in a superior EOL-RR of ~64%, supported by a mature collection and recycling ecosystem.

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Recycling Input Rate (RIR), which measures the share of recycled aluminium material in the total metal input in production, stands at ~35% globally (2021). Developed markets such as Europe and North America exhibit higher RIR (~60%), indicating greater reliance on recycled aluminium, while India remains lower at ~25%. As the RIR increases, it will create more demand for secondary aluminium in the future. Novelis, the subsidiary of Hindalco, is the largest recycler of aluminium scrap in the world and uses ~69% recycled content in its rolling production capacity.

Primary Vs Secondary Aluminium Differences

Secondary aluminium is generally economical than primary aluminium because it is produced from scrap, eliminating the need for mining bauxite and energy-intensive smelting. This significantly reduces both capital requirements and operating costs.

Additionally, secondary aluminium requires only ~5–7% of the electricity needed for primary production, making it far more energy-efficient and cost-effective.

Particulars	Primary Aluminium	Secondary Aluminium (Recycled)
Raw Material	Bauxite → Alumina	Aluminium scrap (new + old)
Process Complexity	Mining + Refining + Smelting + Power plant	Sorting + Melting + Re-alloying + Casting
Capital Intensity	Very high (~Rs. 300 Bn + for 1 MT refinery + 0.5 MT smelter setup)	Low (~Rs. 15–20 Bn for 1 MT recycling unit)
Energy Consumption	~14,000 kWh /MT	~5–7% of primary (~700–1,000 kWh/MT equivalent)
Cost of Production	High (energy + mining + refining costs)	Significantly lower (low energy + pre-alloyed scrap)

Source - Vision document aluminium -2025 , Keynote Capitals

Aluminium has infinite recycling potential, which means it can be recycled and reused multiple times without losing its core properties. However, primary aluminium is generally purer because it is produced directly from bauxite through refining and smelting. In contrast, secondary aluminium is produced from scrap, which may contain traces of other metals such as iron, silicon, and magnesium, leading to some level of impurities.

Primary billets are preferred for quality-focused applications because they deliver better extrusion performance, smoother processing, lower tearing, and higher productivity. Their controlled impurity levels, especially lower iron and hydrogen content, help achieve better anodizing, superior surface finish, higher structural strength, and longer product life. Since the metal quality is more consistent, manufacturers can also produce thinner profiles without compromising strength, resulting in material savings. In simple terms, primary billets are used where appearance, durability, and performance matter more than just cost.

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Aspect	Primary Billets	Secondary Billets
Purity	High, minimal impurities	Lower, with higher iron and other alloying elements
Extrusion Efficiency	Faster, smoother extrusion	More tearing, higher extrusion pressure
Mechanical Strength	Higher tensile strength and durability	Reduced strength due to impurities
Surface Finish	Superior, consistent anodizing	Prone to flowlines and defects
Equipment Longevity	50% longer die life	Shorter die life due to impurities

Source - Vedanta MetalBazaar, Keynote Capitals

Secondary aluminium is replacing primary aluminium in applications where ultra-high purity is not critical and some impurity variation can be tolerated. This is mainly visible in automotive castings such as engine blocks, transmission housings, gearbox parts and alloy wheels, along with construction products like window frames, doors, roofing, façade systems and some packaging applications. Beverage cans are one of the best examples of closed-loop aluminium recycling, where used cans are collected, recycled and converted back into new cans.

Primary aluminium remains difficult to replace in applications where purity, strength consistency, surface finish and conductivity are critical. This includes aerospace components, electrical conductors, capacitor foils, battery foils, premium billets, high-end automotive body sheets and anodised products. In these applications, impurities in recycled aluminium can reduce ductility, fracture toughness, conductivity and surface quality. Hence, primary aluminium still has a clear advantage where safety, performance and appearance matter more than cost savings.

China emergence in the aluminium industry

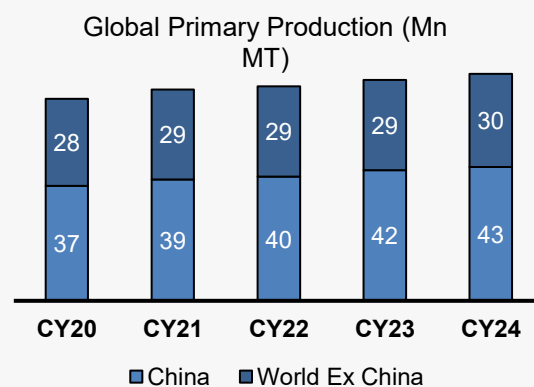
Global primary aluminium production stood at 74 Mn MT in 2025, of which China accounted for ~60.8%, or 45 Mn MT. Over the last two decades, China has emerged as both the world's largest producer and consumer of primary aluminium. Its primary aluminium output increased from 3.37 Mn MT in 2001 to 41.67 Mn MT in 2023, reflecting a CAGR of 11.55%, while its share in global primary aluminium consumption stood at ~61.77% in 2024.

While Western countries struggled to scale aluminium production, China emerged as the key driver of global industry growth and the key reasons are :

Energy advantage: China rapidly scaled smelting using cheap domestic coal, while actively adapting to decarbonisation by expanding green energy. Notably, hydropower usage in Chinese smelters nearly doubled from 10% in 2015 to 19% by 2024.

State policy & Subsidies: In 2006, the Chinese government designated aluminium as a national "Pillar Industry." This critical move unlocked massive state subsidies, tax benefits, and low-cost financing specifically designed to capture the global market.

Explosive domestic demand: Massive urbanisation and infrastructure projects fueled an unprecedented local appetite for the metal. Consequently, domestic consumption increased roughly 13-fold, surging from just 3.37 Mn MT in 2001 to ~45 Mn MT by 2024.



Source: Company, Keynote Capitals

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Integrated Supply Chains & Manufacturing Hub: Chinese aluminium firms like Chalco are heavily vertically integrated (from bauxite to processing). Additionally, the emergence of China as a global manufacturing hub has driven strong aluminium demand over the last two decades.

However China also has some structural problems in its aluminium industry:

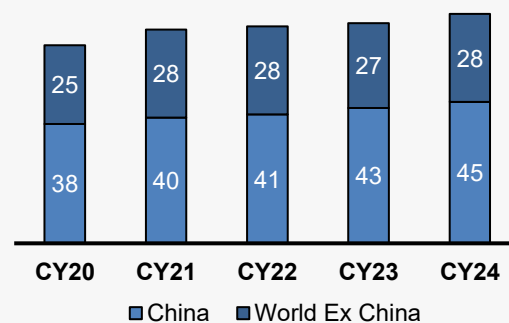
Capacity gap: The Chinese government has imposed a strict national production ceiling of 45 Mn MT of primary aluminium annually since 2017 to curb overcapacity and pollution. With production already hovering near 43–44 Mn MT, and under the current “capacity swap” rules, new greenfield smelters can only be built if older, less efficient capacities are retired, leaving virtually no room for unbridled expansion.

Carbon wall & CBAM: The EU introduced the Carbon Border Adjustment Mechanism (CBAM) in October 2023 to impose carbon-related costs on imports produced through high-emission processes. While the initial phase focused on reporting, actual financial charges has begun from January 2026. Chinese aluminium exports to the EU are particularly exposed, as they are largely produced using coal-based power, making them carbon-intensive. Following this development, China’s aluminium exports to the EU declined by ~30% in 2023 to ~0.69 Mn MT, reflecting early market adjustments and lower demand in EU and EU de-risking from China. Over the long term, CBAM is expected to structurally impact Chinese exports, as its heavy reliance on coal-based production could make Chinese aluminium less competitive in the European market.

Limited domestic bauxite availability against requirement: Despite being the world’s largest producer and consumer of primary aluminium, China holds only ~2.4% of global bauxite reserves. Although domestic bauxite production increased nearly 10x from 9.8 Mn MT in 2001 to ~93 Mn MT in 2023, it remains insufficient to meet China’s large alumina and aluminium requirements. As a result, nearly two-thirds of its bauxite requirement is estimated to be met through imports. China was the world’s largest bauxite importer in FY2023, accounting for ~87.6% of global import volumes. In 2024, its bauxite imports further increased by 12.3% YoY to a record ~159 Mn MT, with Guinea and Australia contributing ~69.5% and ~25.1%, respectively. This concentrated import dependence is a key risk, as bauxite supply constraints already limited alumina production to ~85.8 Mn MT against capacity of ~104.4 Mn MT in 2024. Also as per USGS Mineral Commodity Report the bauxite reserve of China was ~1000 Mn MT in 2021, which drop to 710 Mn MT in 2025 which show higher utilization and depletion of reserve to meet the domestic demand and further make them more dependent on import

Risk in the China Export Model: China’s aluminium trade posture is turning less export-driven, with clear implications for downstream players. In 7M CY25, semi-finished aluminium exports declined ~9% YoY, while primary aluminium imports rose ~11% to ~1.5 Mn MT, indicating tightening domestic availability under the ~45 Mn MT smelting cap. The removal of the 13% export tax rebate from Dec’24 has structurally increased the cost base for Chinese semis, directly impacting export competitiveness. As a result, downstream aluminium players face margin compression, weaker pricing power, and potential loss of share in global, price-sensitive markets, even as domestic demand continues to provide partial support.

Global Primary Consumption (Mn MT)



Source: Company, Keynote Capitals

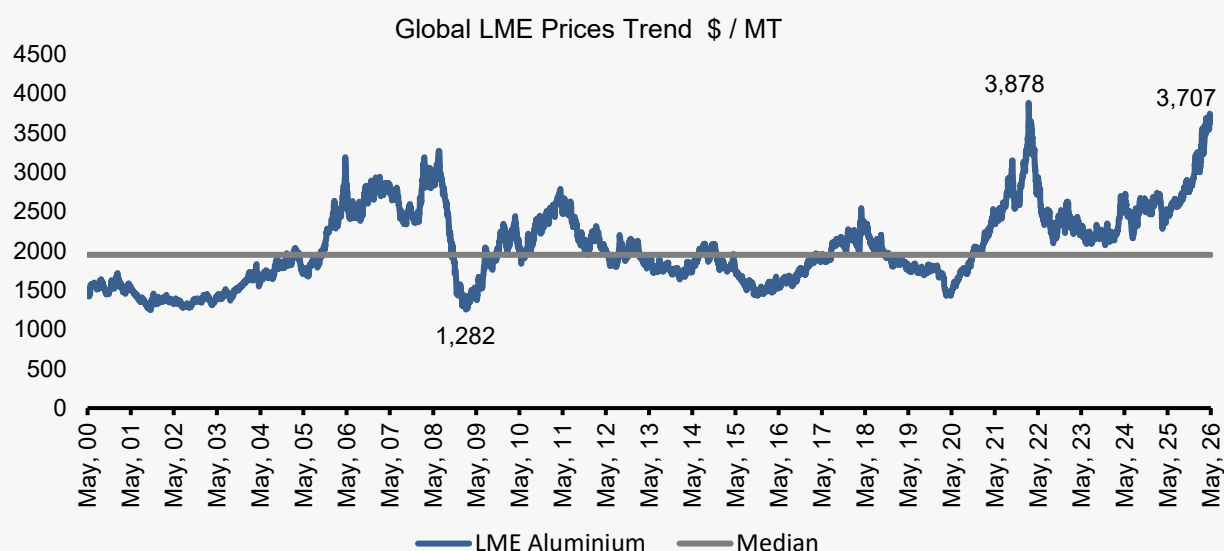
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LME Aluminium Prices history and China Impact

As China, the world's largest producer and consumer of aluminium and aluminium products, has been the key driver of LME aluminium prices over the past two decades. The 2000–08 supercycle, led by China's rapid industrialisation post-WTO entry, pushed prices from ~\$1,300/T to a peak of ~\$3,380/T. The subsequent 2008–09 crisis drove a sharp correction to ~\$1,300/T, although China's stimulus helped stabilise the market. The 2011–16 phase marked a structural downcycle, as aggressive Chinese capacity additions created persistent oversupply, dragging prices decline from \$2,800/T to \$1,500/T. A major inflection came in CY2017, when the Chinese government implemented supply-side reforms, put capacity cap of 45 Mn MT on aluminium smelter result into increase in the price from \$1,500/T to \$2,300/T between 2017 -18.

The COVID-19 pandemic led to a sharp correction in LME aluminium prices between Jan 2020 and Apr 2020, with prices declining from ~\$1,800/T to ~\$1,450/T (~20%) amid a collapse in global industrial demand. However, this was followed by a strong 2020–22 upcycle, driven by post-COVID demand recovery led by China and global markets, rising energy costs increasing the aluminium cost curve, and closure of European smelters, culminating in a peak of ~\$4,100/T. Subsequently, prices corrected to ~\$2,200–2,400/T during 2022–23, driven by global slowdown concerns and weakening demand in China, particularly from the property sector.

In the last two years, LME aluminium prices have surged from ~\$ 2,500 in July 2024 to ~\$3,600 in April 2026. This was driven by Guinea's recent bauxite export restrictions, aimed at supporting bauxite prices, protecting local miners, and encouraging domestic alumina refining instead of only raw ore exports. The rally was further supported by China's primary aluminium capacity cap and US-UK sanctions on Russian-produced aluminium, tightening the global supply outlook.



Source: Bloomberg, Keynote Capitals

Recent Middle east conflict impact– Aluminium has emerged as the most directly exposed non-ferrous metal amid the recent Middle East conflict, given the region accounts for ~8–9% of global aluminium output and remains a critical trade corridor through the Strait of Hormuz. The situation escalated on 28 March 2026, when Iranian missile strikes impacted Emirates Global Aluminium's Al-Taweelah plant in the UAE and Aluminium Bahrain's (Alba) facility. Together, these plants represent ~3.2 Mn MT capacity, or ~4.6% of global supply. The disruption led to a sharp increase in aluminium prices, and as per CRU Group, a prolonged conflict could potentially push prices towards \$4,000/T in near term

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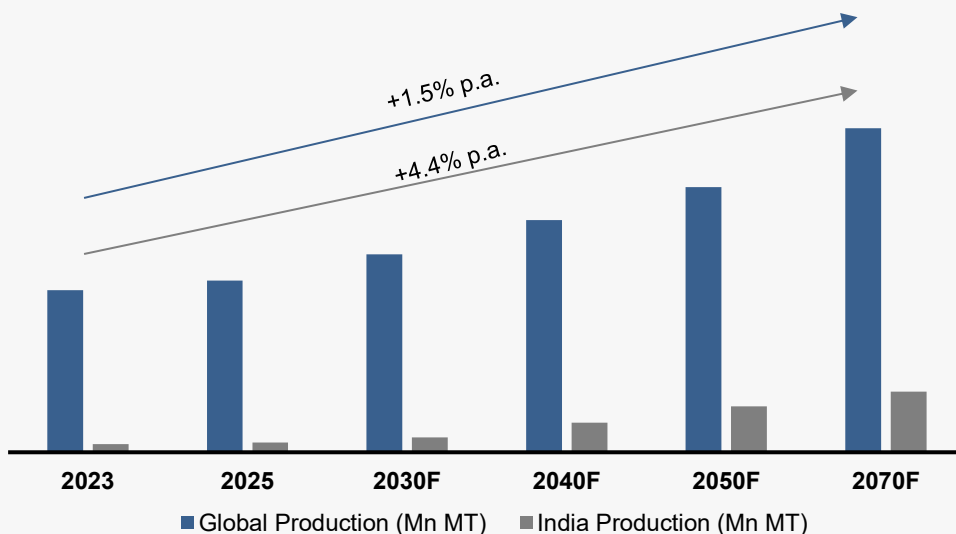
Indian aluminium industry

India's aluminium industry is on a strong growth trajectory, positioning the country as the world's second-largest primary producer and third-largest consumer. Domestic primary aluminium production has grown at a CAGR of ~7% from FY16–FY24, while consumption increased at ~5.6% CAGR over the same period. As of FY24, India has a total aluminium production capacity of ~6.2 Mn MT, comprising ~4.2 Mn MT of primary aluminium capacity and ~2.1 Mn MT of secondary aluminium capacity. India also has some key advantages and growth opportunities in the aluminium industry compared to other nations.

1) Domestic opportunity – India's aluminium demand outlook remains strong, supported by low per capita consumption, energy transition, infrastructure growth, and rising usage across new-age applications. India consumes only ~3–3.5 kg of aluminium per capita, far below the global average of ~12 kg and China's ~28 kg, leaving significant headroom for growth. EV adoption should drive higher aluminium usage in battery enclosures, foils, lightweight structures, and thermal management systems. Renewable energy expansion, especially India's 500 GW target by 2030, will also support demand through solar frames, mounting structures, and transmission infrastructure. Additionally, urbanisation, railways, metro projects, defence, packaging, and consumer durables should continue to expand aluminium consumption. Overall, India's aluminium growth is backed by broad-based structural drivers rather than dependence on a single end-use sector.

2) Rising aluminium demand and capacity in India – India's aluminium demand is expected to grow at an 8.3% CAGR until 2030, with consumption rising from 4.56 Mn MT in 2024 to 9 Mn MT by 2030, according to BigMint. On the production side, a NITI Aayog report estimates that India's aluminium output could grow at a 4.4% CAGR, from 4 Mn MT in 2023 to 37 Mn MT by 2070. This is significantly higher than the expected 1.5% CAGR for the rest of the world over the same period.

Production Projections: India vs. Global (Primary + Secondary)



Source - Niti Aayog projections, Keynote Capitals

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Aluminium upstream players

These upstream players' main role is to source bauxite ore from their own captive mines or from outside and convert it into primary aluminium metal. In India, the upstream sector is largely concentrated among only three players because it is capital-intensive in nature. The Indian primary aluminium industry is dominated by three key players NALCO (a PSU), Hindalco, and Vedanta. Vedanta is the largest producer, with a capacity of ~2.4 Mn MT, followed by Hindalco at ~1.34 Mn MT and NALCO at ~0.46 Mn MT, taking the total combined primary aluminium capacity in India to ~4.2 Mn MT.

Aluminium downstream players

These players take both primary aluminium and secondary aluminium and convert it into extrusion, rolled, and casting-based semi-fabricated products. Unlike the capital-intensive upstream sector, which is dominated by just three major players, the downstream segment includes over 150 large and mid-sized companies along with a significantly larger base of smaller and unorganized players, making the industry highly fragmented and competitive. India's downstream production capacity is close to 4 Mn MT in 2020, and to achieve self-reliance and meet rising domestic demand, the country has set a target to double this downstream capacity to 8 Mn MT by FY30.

To take advantage of rising demand for aluminium downstream products and to retain more value, upstream players are also diversifying or increasing their focus on the downstream sector. For example, Hindalco currently has 0.43 Mn MT capacity in India operations and 4.2 Mn MT rolling capacity in its Novelis subsidiary, both of which are expected to increase. Vedanta's total Value-Added Product (VAP) capacity currently stands at 1.7 Mn MT and aims to achieve 100% VAP coverage for its entire aluminium output by 2030. Other major players in the downstream segment include Jindal Aluminium Limited, Century Extrusion, Myra Foils Private Limited, and many others.

Downstream Producers	Capacity (in Mn MT) as Per FY26	Operations
Hindalco Industries Ltd	0.65	Alloys (2xxx, 6xxx and 7xxx) - high-strength Aluminium alloys for the aerospace, sporting goods, and surface transport industries.
NALCO	0.05	Alloys (1xxx, 3xxx, 5xxx and 8xxx series)
Vedanta	1.70	Alloys (1xxx, 3xxx, 4xxx, 5xxx and 6xxx series)
Jindal Aluminium Ltd	0.25	Alloys (1xxx, 3xxx, 5xxx and 8xxx) – use in Aviation, Architectural, Transport, Electronics, Defence, Solar, Roofing, Cladding, Insulation, Closure stock, Foils

Source - Vision Aluminium Document -2025 , Keynote Capitals

Different downstream aluminium products are made from different series of aluminium alloys. Aluminium alloys are produced by mixing aluminium with small quantities of other metals such as magnesium, silicon, copper, manganese, zinc, iron, or lithium. While pure aluminium is lightweight, corrosion-resistant, and easy to form, it is relatively soft. Alloying improves strength, hardness, machinability, heat resistance, corrosion resistance, and makes aluminium suitable for different end-use industries.

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Aluminium recycler

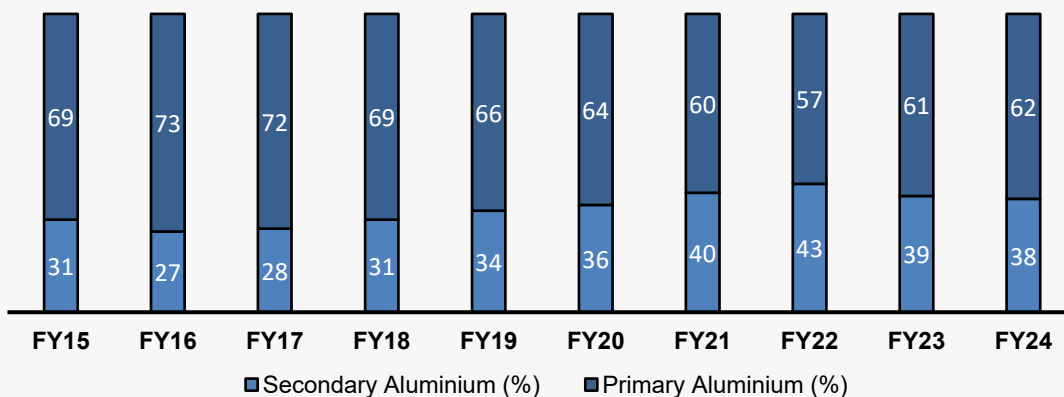
Aluminium is infinitely recyclable with minimal loss of core properties, though repeated recycling can introduce impurities depending on scrap quality. Secondary aluminium production is significantly more energy-efficient, consuming only ~5–7% of the energy required for primary production, and offers ~90–95% lower emissions, making it increasingly preferred in a decarbonising world. For this reason, secondary aluminium prices generally trade below primary aluminium, and spreads depend on the quality and availability of scrap, geographic region, and other market factors. The India total secondary aluminium production capacity is 2.1 Mn MT

However, the key challenge for recyclers is not cost efficiency but raw material security. The business is highly dependent on scrap availability and price volatility, making supply consistency a critical risk factor. Rising demand for secondary aluminium has intensified global competition for scrap, driving up prices and pressuring margins. To secure supply, recyclers are adopting strategies such as long-term contracts, closed-loop partnerships, and advanced sorting technologies to process lower-grade scrap.

The share of secondary aluminium in total aluminium usage in India has increased from ~27% in 2014 to ~38% in 2024.

India's secondary aluminium industry is highly fragmented, with small and medium players catering to ~55–60% of demand through local scrap collection and basic remelting. In contrast, large organized players (~40–45% share) such as CMR Green Technologies Ltd. (CMR), Daiki Aluminium Industry India Pvt Ltd (Daiki), and Sunalco Alloys Private Limited operate at scale (>40,000 MTPA), with better technology, consistent quality, and strong presence in automotive clusters. In essence, smaller players dominate volume, scrap recovery, and local remelting, while larger players lead in organized, high-quality industrial supply. Secondary aluminium production capacity in India is expected to grow from ~2 Mn MT in FY24 to ~3.5 Mn MT by FY30

Primary and Secondary Aluminium share in domestic Aluminium consumption in %



Source – Vision Aluminium Report 2025, Keynote Capitals

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Challenges in Indian aluminium industry

1) Access to Bauxite resources – India's bauxite challenge is fundamentally a resource-access issue rather than a resource-scarcity problem. While the country holds ~4.96 Bn MT of bauxite resources, only ~646 Mn MT (~13%) are classified as proved and probable reserves, constraining immediate mineable supply. Despite strong downstream growth, with primary aluminium production increasing from ~0.60 Mn MT in FY02 to ~4.16 Mn MT in FY24, domestic bauxite mining has remained largely stagnant at ~22–24 Mn MT over the past decade. Consequently, to support higher smelter utilisation (rising from ~59% in FY16 to ~101% in FY24), this has resulted in a rise in bauxite imports from ~1.6 MT in 2014 to ~3.8 MT in 2023.

The supply-side constraints are structural, including slow resource-to-reserve conversion due to limited exploration, fragmented and sub-scale deposits that deter large refinery investments, tribal and forest-rights hurdles in mineral-rich regions, high auction premia, and elevated logistics costs. Additionally, evolving regulatory risks particularly the Supreme Court's August 2024 ruling permitting state governments to impose retrospective levies on mineral-bearing lands which could further increase mining costs.

Looking ahead, India's primary aluminium capacity is expected to scale to ~7.2 Mn MT by FY30, driving bauxite requirement to ~42 Mn MT and alumina to ~14 Mn MT annually. While the resource base is sufficient, achieving self-reliance will depend on timely execution of mining reforms, including accelerated exploration and consolidation of mining blocks to convert resources into commercially viable reserves.

2) Problems in India's recycling ecosystem – In India, the domestic scrap generation, collection, and recycling ecosystem remains underdeveloped, with a highly fragmented scrap collection network that limits efficient availability and large-scale processing. As a result, the country is heavily dependent on imports to meet ~85–90% of its scrap requirements. Additionally, lower import duties on scrap (~2.5%) compared to primary aluminium (~7.5%) further incentivise imports. Consequently, aluminium scrap imports have grown at ~11% CAGR from ~0.47 Mn MT in FY11 to ~1.73 Mn MT in FY23, accounting for ~55–60% of total aluminium imports

3) Rising import of aluminium downstream products - In India, rising imports in downstream aluminium are concentrated in FRP and extrusion-linked products, where domestic capability is limited. High-value segments like foil, plates/sheets, can stock (~90% dependency), aerospace-grade alloys (~70%), and large extrusions continue to see heavy imports. This is not a demand issue but a capability gap, driven by limited domestic capacity, lack of advanced processing and alloy technology, and cost disadvantages. As a result, India exports lower-value semis while importing high-spec downstream products. Also, rising imports of VAP from Free Trade Agreement (FTA) countries and China are a concern for the aluminium downstream industry. This trend is also reflected in rising downstream imports, which have increased from ~0.39 Mn MT in 2020 to ~0.56 Mn MT in 2023, indicating ~1.5x growth over the past 3–4 years.

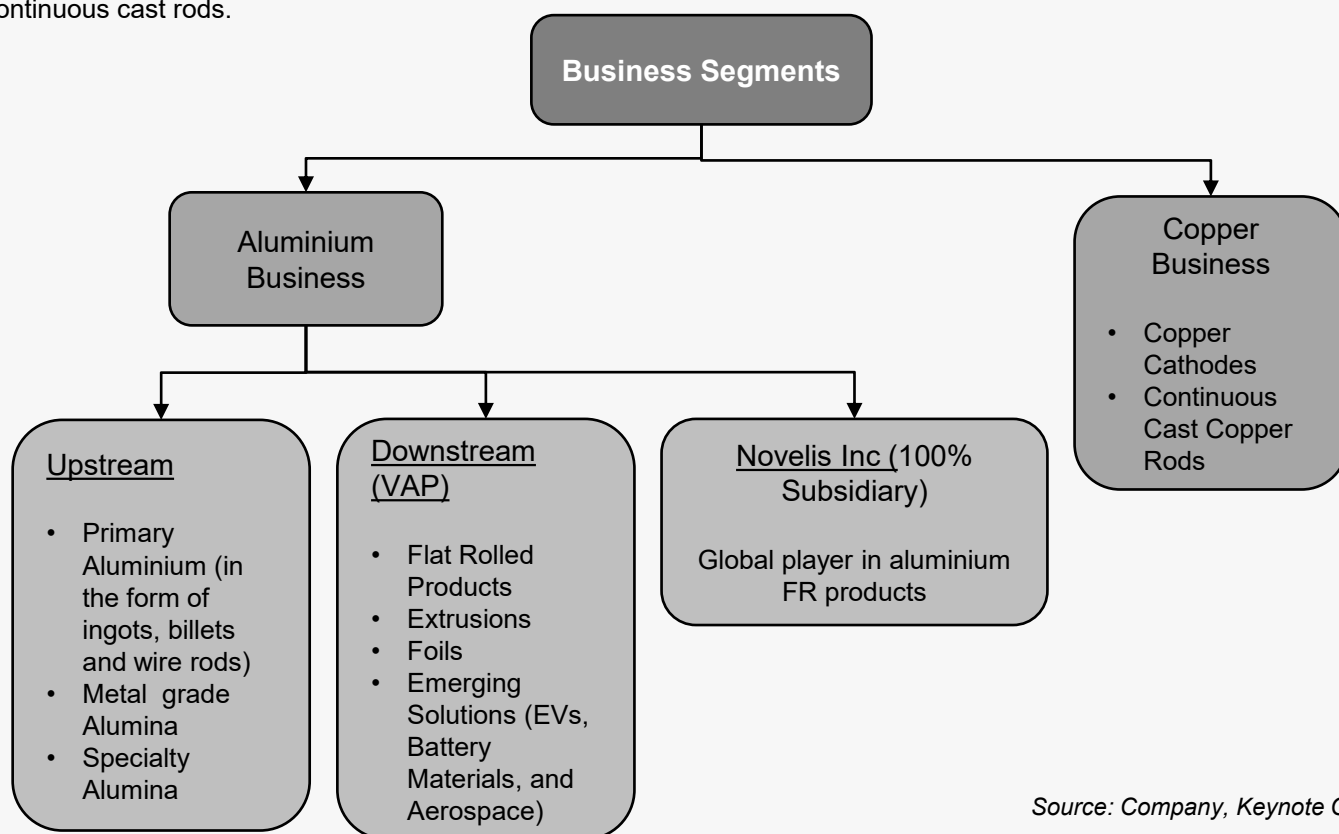
To mitigate this challenge and actively neutralize cheap foreign competition, Indian downstream players are aggressively investing in missing domestic capabilities to drive import substitution. For instance, Hindalco is plugging this technology gap by commissioning the 170 KTPA Aditya FRP facility and the 24 KTPA Aditya Battery Foil Mill, while expanding into advanced cooling solutions with its upcoming 26 KTPA Talaja AC Fin facility. Similarly, Vedanta Aluminium has expanded its premium billet production capacity at Jharsuguda by 250 KTPA to reach 830 KTPA, directly targeting the high-spec domestic extrusion market. Accelerating this domestic capability shift, alongside strict enforcement of Quality Control Orders (QCOs), will be critical to breaking import reliance and safeguarding long-term downstream margins.

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About the Company

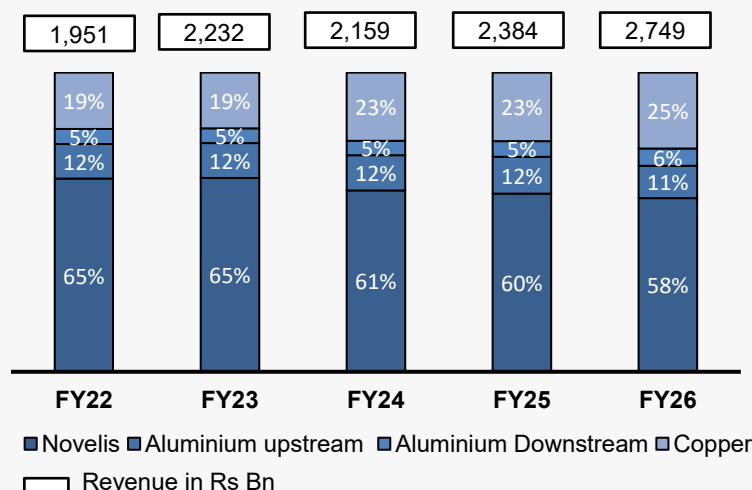
Hindalco Industries Ltd, a part of the Aditya Birla Group, operates across two core metal businesses: aluminium and copper.

In aluminium, the Company has an integrated presence across the entire value chain, starting from bauxite mining to alumina refining, followed by aluminium smelting and finally the production of downstream Value-Added Products (VAP). A key part of the aluminium business is its wholly owned subsidiary, Novelis Inc., which is a global leader in aluminium recycling and Flat-Rolled Products (FRP). Novelis has a rolling capacity of ~4.2 Mn MT and contributes ~60% of the Company's consolidated revenue. In the copper segment, the Company primarily manufactures copper cathodes and copper continuous cast rods.

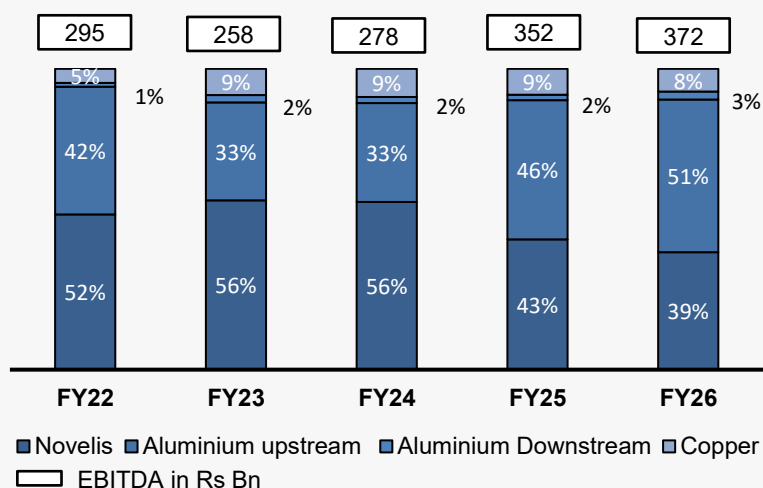


Source: Company, Keynote Capitals

Hindalco Revenue Mix change (%)



Hindalco EBITDA Mix change (%)



Source: Company, Keynote Capitals, *Notes -, Segmental EBITDA is Pre intersegment, unallocable expenses

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Aluminium Business

The aluminium business is the Company's core vertical, with an integrated presence across the entire value chain, spanning bauxite mining, alumina refining, aluminium smelting, and the manufacturing of Value-Added Products (VAP). Broadly, the aluminium segment can be divided into two parts: 1) Upstream and 2) Downstream.

1) Aluminium upstream

In aluminium upstream, the Company mines bauxite, refines it into alumina, and produces primary aluminium through the smelting process. This primary aluminium can be in the form of ingots, billets, and wire rods.

During the refining process, the Company extracts alumina from bauxite ore. The leftover residue, known as red mud, is partly utilized or sold for use in cement, construction materials such as bricks and tiles, and road construction.

Bauxite ore also contains impurities such as iron, silica, and clay, along with valuable trace elements like gallium, vanadium, and titanium, which emerge during the refining stage.

The Company has bauxite reserves of ~245 Mn MT on a consolidated basis across multiple mines. Out of this, its key wholly owned subsidiary and largest refinery, Utkal Alumina, holds the majority of captive bauxite reserves at ~196 Mn MT. The subsidiary also contributes ~67% of the Company's total alumina output, (2.58 Mn MT out of 3.9 Mn MT), and operates a ~2.6 Mn MT refinery.

The Company's total alumina production capacity stands at ~3.9 Mn MT, including ~0.56 Mn MT of specialty alumina capacity. It largely relies on captive bauxite mines for its refining operations, except for the Belagavi refinery, which is dedicated to specialty alumina and sources bauxite externally. Further, the Company has a primary aluminium capacity of ~1.34 Mn MT.

During refining process of Bauxite, the Company produces two types of alumina:

- **Metal-grade alumina**, used for aluminium metal production. The Company also sells some extra volume of metal-grade alumina to external smelters from the Utkal refinery.

- **Specialty high-purity alumina** refers to custom-made, non-metallurgical grades of alumina with high purity, designed for advanced industrial and technical applications rather than aluminium metal production. The Company offers a diversified basket of specialty alumina products, which are value-added and tailored for end-use industries such as ceramics, refractories, flame retardants, water treatment chemicals, and electronics.

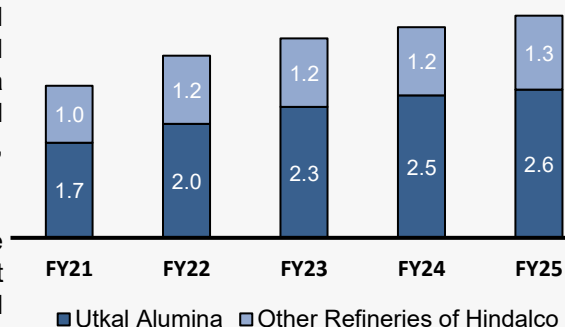
The Company's Belagavi and Muri refining facilities are dedicated to the production of specialty alumina. As per management, realisations for different specialty alumina products are broadly linked to the base alumina price index and therefore move in line with market trends. However, this segment commands significantly superior profitability, with EBITDA/MT higher by ~Rs 20,000/MT compared to base metallurgical-grade alumina.

The Company has also fully acquired US-based AluChem Companies Inc. at an enterprise value of ~\$ 125 Mn (Rs 10.6 Bn). This acquisition is aimed at strengthening its position in the global specialty alumina market, while also providing access to advanced technologies that can be leveraged domestically to reduce India's import dependence on some specialty alumina products.



Source: Company, Keynote Capitals

Total Alumina Production (Mn MT)



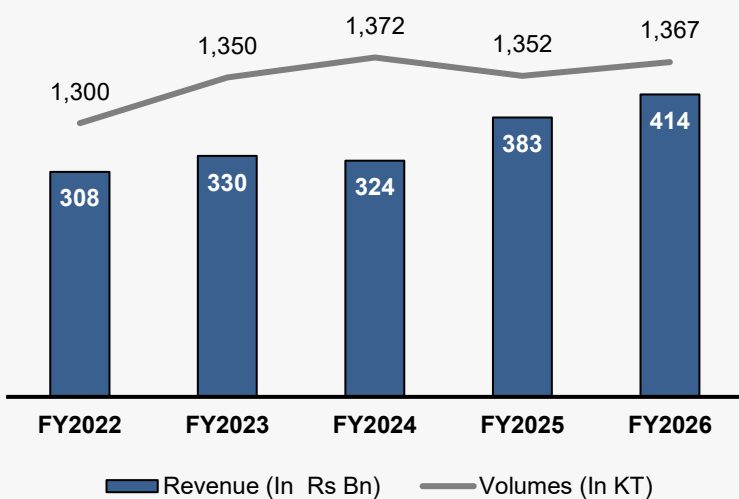
Source: Company, Keynote Capitals

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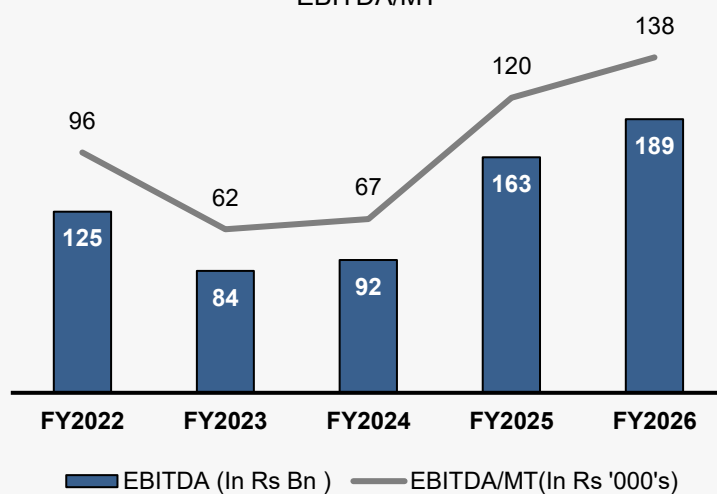
Realization and EBITDA/MT in the aluminium upstream

Upstream aluminium products, including alumina and primary aluminium, are largely benchmarked to global LME prices. Therefore, realisations move in line with the aluminium price cycle, improving during periods of higher LME prices and moderating when prices soften. Hindalco's upstream business also benefits from captive bauxite availability, which enables the Company to capture the spread between its integrated cost of mining, refining and smelting, and the prevailing global aluminium price. For this reason upstream margins for the Hindalco are typically higher than downstream margins, but they also remain more volatile given their direct linkage to global aluminium prices and as result EBITDA/MT are generally more volatile compared to downstream products.

Aluminium upstream - Revenue and Volumes



Aluminium upstream - EBITDA and EBITDA/MT



Source: Company, Keynote Capitals

2) Aluminium downstream

On the downstream side, the Company manufactures aluminium Value-Added Products (VAP). These are semi-finished products, categorised into Flat Rolled Products (FRP), extrusions, foils, and commercial plates, which require minimal further processing by end users for their specific applications. During FY26, the Company commissioned the 170 KTPA Aditya FRP facility and initiated commissioning process of the Taloja coated AC fin stock facility with 26 KTPA capacity and the Aditya battery foils mill with 24 KTPA capacity. With these additions, downstream production capacity increased from 430 KTPA in FY25 to ~650 KTPA in FY26.

In recent years, the Company has adopted a strategy of moving up the value chain by introducing and selling more engineered and finished products, such as battery enclosures, instead of focusing only on basic downstream products like FRP and extrusions. As part of this strategy, the Company commissioned a battery enclosure facility with a capacity of 1,64,000 units in FY26. Additionally, a few other facilities are currently under development and in the commissioning phase.

In FY26, the Company sold 446 KTPA of downstream products, of which FRP and foil products contributed 357 KTPA, while extrusion products contributed 88 KTPA.



Source: Company, Keynote Capitals

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Realization and EBITDA/MT in the Aluminium downstream

Compared with the upstream segment, downstream or VAP products generally have lower but more stable margins. This is because downstream products mainly earn a conversion premium on the base aluminium metal, rather than capturing the full metal value. Any fluctuation in aluminium prices is usually passed on to customers on a pass-through basis, which means the business largely operates on a conversion-margin model.

For an integrated player like Hindalco, the downstream business largely consumes primary aluminium produced by the upstream segment. In segment reporting, this primary aluminium is transferred from the upstream segment to the downstream segment at an agreed inter-segment price, generally linked to prevailing market prices. As a result, the reported sales price of the downstream product represents: 1) a pass-through base aluminium price from the upstream segment, 2) the local market premium, and 3) the conversion premium, which reflects the value addition and the cost incurred to convert primary aluminium into value-added products.

The conversion spread in the downstream segment depends on product mix, demand conditions, realisations, and competitive intensity. The fabricated, engineered, and finished products like battery enclosures usually have better conversion spreads compared with basic downstream FRP products. This is because the Company earns the base extrusion or rolling margin, along with an additional margin for the fabrication, machining, welding, and engineering required to convert the product into its final usable form.

For example, when Hindalco manufactures highly engineered products like aluminium battery enclosures for electric vehicles, it involves more complex processes such as machining, welding, and precision finishing, which can support better value addition. So as the Company will sell more engineered goods in the downstream products mix the Company will increase the Downstream EBITDA. In FY25, the Company sold ~10,000 aluminium battery enclosures, highlighting its progress in product premiumization.

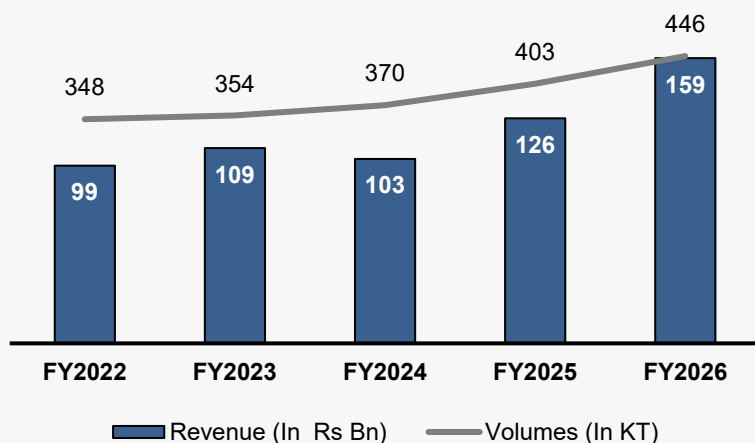
Operating leverage also plays an important role in driving EBITDA in the aluminium downstream segment. Since the business works on a conversion model, the raw aluminium cost is generally passed through to customers and does not directly determine core profitability. Instead, fixed costs such as capital-intensive machinery, plant overheads, power, and labour form a major part of the conversion process. Therefore, higher capacity utilisation and volume can improve EBITDA margins, while lower utilisation can put pressure on profitability.

On the downstream side, EBITDA increased from Rs 3,820 Mn in FY22 to Rs 9,780 Mn in FY26, reflecting a ~26% CAGR. EBITDA/ MT also improved from Rs 10,977 in FY22 to Rs 21,928 in FY26, implying a ~19% CAGR. This improvement was primarily driven by the Company's increasing focus on higher engineered value-added downstream products, which helped it move up the value chain, earn better realisations, and partially reduce margin volatility linked to LME-driven upstream pricing.

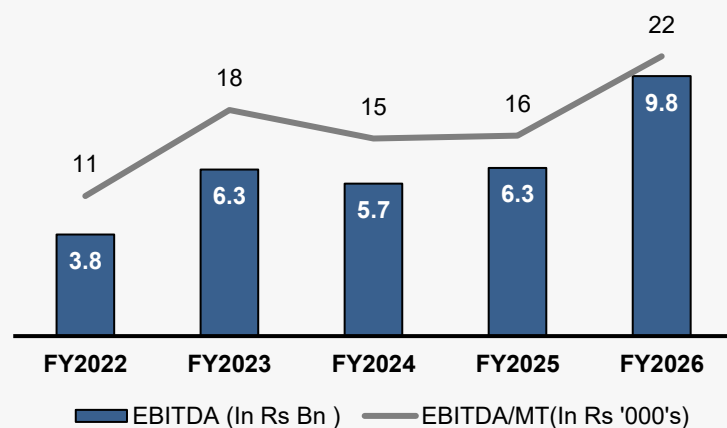
The growth in absolute EBITDA was also supported by volume expansion, with downstream volumes increasing from ~0.35 Mn MT in FY22 to ~0.45 Mn MT in FY26, reflecting a ~5% CAGR. To further strengthen this growth trajectory, the Company is expanding capacity at its Aditya FRP plant, where Phase 1 is commissioned during the FY26 to increase downstream capacity to ~0.600 Mn MT. The Company is also targeting to quadruple downstream EBITDA by FY30 from the FY24 base. Overall, the combination of higher volumes, operating leverage, and a richer mix of premium value-added products has supported the steady improvement in EBITDA/MT over the period.

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Aluminium Downstream - Revenue and Volumes



Aluminium Downstream - EBITDA and EBITDA/MT



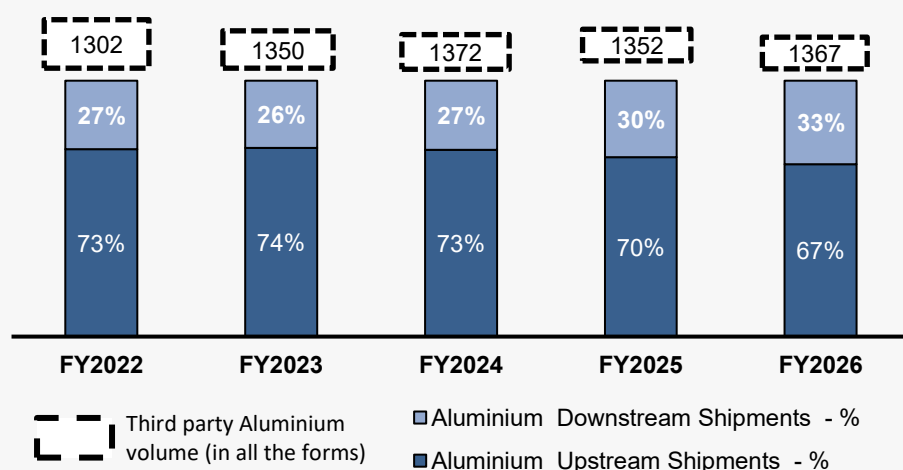
Source: Company, Keynote Capitals

Business Model	Upstream aluminium	Downstream Aluminium
Business Model	Integrated	Conversion/Tolling
Nature of product	Commodity	Value-added
Sales Realisation	LME Based Price	Mark-Up over LME to reflect value additions and actively adjusted based on production cost and other factors
Key Margin Drivers	Volumes/Production Cost	Product Differentiation / Conversion Cost
Impact of LME Volatility	High	Low
Margins	High and Volatile	Low and Stable

Source: Company, Keynote Capitals

In FY26, the Company sold ~1.367 Mn MT of aluminium across all forms, primary and secondary aluminium, to third parties. Of this, ~0.446 Mn MT comprised downstream Value-Added Products (VAP) accounted for ~32%.

Total Third Party Aluminium Sales in all the forms (Mn MT)



Particulars (in KT)	FY25	FY26
Upstream - Sales Third Party (A)	949	921
Intersegment Sales	378	429
Total upstream Shipments	1,327	1,350
Downstream Third Party Sales (B)	403	446
Total Third Party Sales (A)+(B)	1,352	1,367

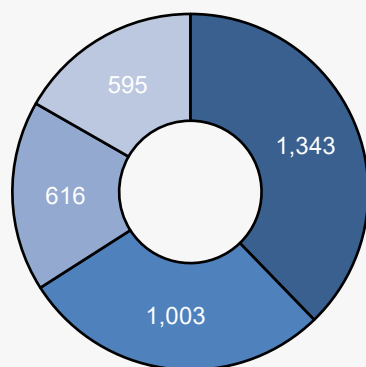
Source: Company, Keynote Capitals

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Novelis Business

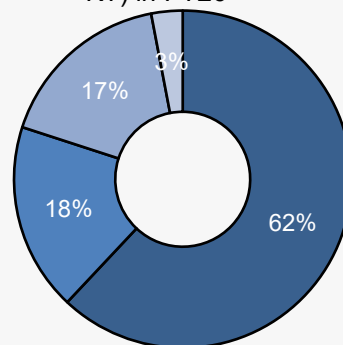
Novelis, a wholly owned subsidiary of Hindalco, contributes ~60% of revenue on a consolidated basis. Novelis is the world's largest Aluminium rolling producer and recycled aluminium producer in the world where as the Norsk Hydro other recycler player has the largest recycled aluminium production capacity. It operates with a rolling capacity of ~4.2 Mn MT and recycling capacity of ~2.5 Mn MT. The Company manufactures aluminium-based flat rolled products, which are semi-finished materials used by industries such as beverage and food packaging, automotive, transportation, aerospace, and electronics as inputs for producing finished goods.

Novelis Shipments Region wise - 3,557(in KT)
in FY26



■ North America ■ Europe ■ Asia ■ South America

Novelis FRP Shipments Mix in %- 3,557(in KT) in FY26



■ Beverage packaging ■ Automotive ■ Specialties ■ Aerospace

Source: Company, Keynote Capitals

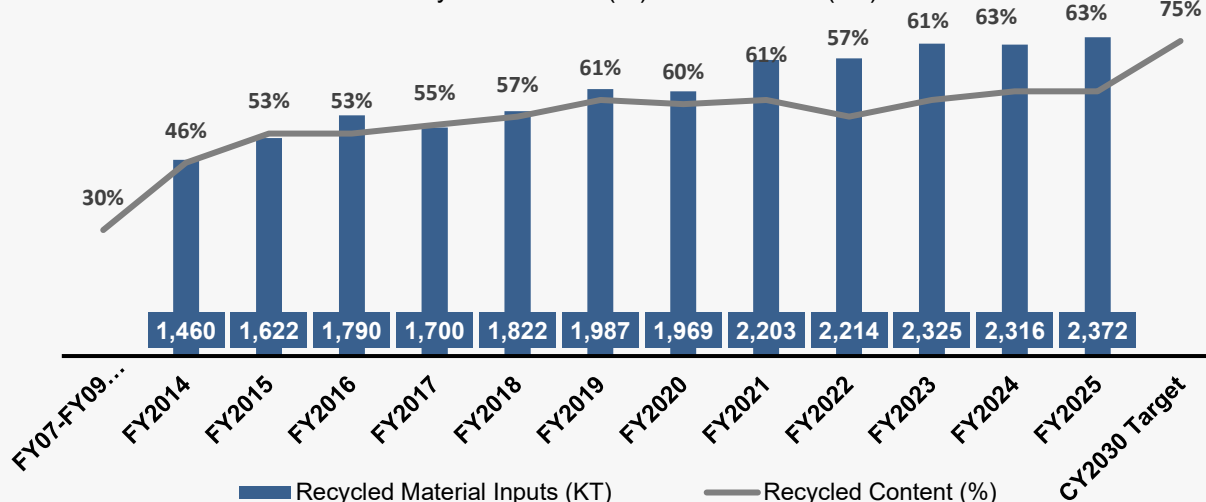
To manufacture FRP products, the Company uses a mix of primary aluminium and secondary recycled aluminium, which is generally produced internally from procured scrap or purchased at a discount compared to primary aluminium. Currently, ~63% of its input is recycled aluminium, with a target to increase this share to ~75% by 2030. This will help the Company save costs in the future, as recycled aluminium uses only ~5% of the energy required for primary aluminium.

However, the Company has also mentioned that in recent quarters, competition to procure scrap metals has increased. This is due to the rising demand for flat rolled products, which have a higher input share of recycled aluminium to meet carbon emission reduction targets, resulting in higher scrap prices and reducing the financial benefits of using scrap in production.

in FY25 Novelis use and recycled over 84 billion used beverage cans



Novelis Recycled Content (%) and Volumes (KT)



Source: Company, Keynote Capitals

Source: Company, Keynote Capitals

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Conversion Business Model

The Company's business is based on a conversion model, where it passes on any increase or decrease in aluminium prices to its customers. The Company's product price has three components:

1. Base aluminium price quoted on the LME
2. Local market premium, based on regional supply and demand
3. Conversion premium to produce the rolled product, which reflects various factors such as processing cost, product complexity, and value addition.

Metal Lag

As Novelis operates under a conversion business model, it can pass through LME price volatility to customers. However, the timing difference between the pricing period of input metal purchases, mostly at fixed prices, and finished product sales prices results in a price differential called "metal lag". Metal lag impacts the Company's operating results and short-term liquidity.

Nevertheless, because of the conversion model, Novelis has minimal exposure to price volatility. However, the Company actively uses derivatives to hedge and manage metal lag and local market premiums. Its profitability is mainly driven by shipment volumes, regional product premiums, metal spreads, and the consumption level of recycled aluminium.

Metal Spread

Metal spread refers to the spread between the price of recycled aluminium, such as used beverage can scrap, and the LME primary aluminium price. Recycled aluminium usually trades below primary aluminium, and the spread between the two varies based on region and the supply and demand of scrap.

Because Novelis is the world's largest recycler and consumes ~63% recycled aluminium, metal spread becomes one of the key drivers of profitability. When the metal spread widens, meaning scrap prices are far below LME prices, it becomes more beneficial to use recycled aluminium and increases Novelis' profitability.

However, when scrap availability is tight or industry competition for scrap increases, the cost of scrap moves closer to LME prices, reducing the spread between the two. This also decreases the financial benefit of using recycled aluminium and impacts profitability. For this reason metal spreads play an important role in the Novelis profitability.

For Instance - During 2018–2020, Novelis benefited from a favourable scrap spread environment, as China's restrictions on aluminium scrap imports reduced US scrap export demand and created excess scrap availability in the domestic market. This led to a sharp correction in scrap prices, with average US old aluminium cast and sheet scrap prices falling >22% in 2019, while LME primary aluminium prices were down less than 1%. For a recycler like Novelis, this spread matters because a large part of its selling price is linked to primary aluminium prices, while part of its raw material input is scrap. Hence, when scrap prices fall faster than primary aluminium, the Company captures a higher metal benefit. This, in turn, supported higher profitability and drove an improvement in EBITDA per MT from \$ 380/MT in FY2018 to \$ 450 /MT in FY2020.

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EBITDA/MT - Analysis

In the last 10 years, Novelis' EBITDA/MT improved from \$308/T in FY16 to \$462/T in FY26. One of the main reasons behind this profitability improvement was the increase in the input mix of recycled content from 53% in FY16 to the current 63%, which reduced the Company's input material cost, as recycled aluminium is lower priced compared to primary aluminium. The Company is also targeting a 75% input share from recycled aluminium by 2030.

The second key profitability driver is the Company's deliberate shift towards a more diversified and higher-margin product mix. While continuing to defend its core beverage can business, Novelis has been expanding into higher value-added and customised segments such as automotive, aerospace, and specialties. This is reflected in its investment in automotive finishing capacities, including new lines at Guthrie in the U.S. and Changzhou in China. As a result, the Company is gradually reducing its dependence on high-volume, standardised products such as beverage cans and increasing its exposure to segments with better margins and stronger value addition.

Automotive customers require aluminium sheets and alloys tailored to specific performance requirements, including surface quality for painting, corrosion resistance, strength, and formability to enable complex body designs. Due to this higher level of customisation and technical complexity, automotive products command superior economics compared to beverage packaging. Similarly, aerospace and specialty products fall into the high value-added category, given their stringent quality requirements, certification standards, and limited supplier base.

This positioning is also reflected in implied realization levels. Based on FY25 estimated shipment mix and segmental revenue, beverage packaging realization stands at ~\$ 3,950 per MT, compared to ~\$ 5,095 for automotive, ~\$ 5,783 for specialties, and ~\$ 6,050 for aerospace and industrial plate. While Novelis does not disclose segment-wise margins, the higher realization per MT across automotive, aerospace, and specialties supports the view that these segments are structurally more value-added than beverage packaging.

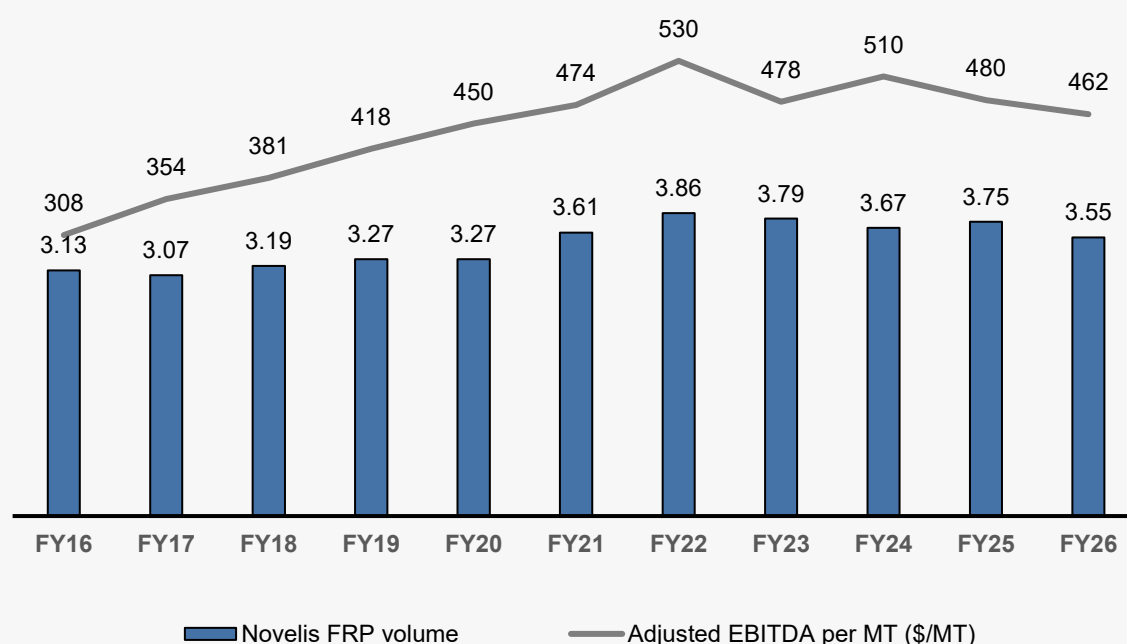
Even though beverage remains key contributor into revenue and shipments this value added products are increasing their share in revenue steadily and slowly. Such as automotive share in total shipments increase from 15% in FY2016 to ~20% in FY2025. To further accelerate this product mix enrichment, Novelis fully acquired Aleris Corporation on April 14, 2020. This acquisition not only expanded their premium specialties portfolio but also marked Novelis's strategic entry into the high-value aerospace market a sector that previously contributed nothing to the Company's revenue but now accounts for 3% of total shipments. Ultimately, this deliberate shift toward premium automotive and aerospace products has helped insulate the Company from aluminium price volatility and significantly boosted its profitability.

On September 16, 2025 Novelis' Oswego facility in New York suffered a fire incident, which damaged the hot mill capacity and related infrastructure. The disruption led to a volume loss of ~145 KTPA and an estimated EBITDA impact of \$ 104 Mn in FY26.

The Company expects the facility to restart operations in Q1 FY27. The incident also resulted in a sizeable cash outflow of ~\$ 1.1 Bn, primarily related to business disruption and recovery efforts. The insurance will cover 70% recovery of this outflow. The Company expects Novelis to return to positive free cash flow by the end of FY27.

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Novelis Volume (in Mn MT), and EBITDA/MT (in \$)



Source: Company, Keynote Capitals

Copper Business

The copper business contribute 23% of the consolidated entity in the copper segment, the Company primarily produces copper cathodes and continuous cast copper rods VAP. Unlike the aluminium business, where the Company benefits from captive raw material reserves, the copper business relies on copper concentrate as its key input to produce copper cathodes, which is entirely sourced externally, making the business dependent on imports for input supply. During the smelting operations, the process of converting copper concentrate into refined copper generates several critical by-products such as Sulphuric Acid, Phosphatic Fertilizers and Precious Metals (gold, silver, and selenium) are sold by the Company in the open market.

Hindalco has a structural capacity mismatch in its copper business, featuring an upstream Copper Cathode capacity of 0.42 Mn MT and a significantly larger downstream Continuous Cast Copper Rod (CCR) capacity of 0.54 Mn MT. While the Company captively consumes the majority of its internally produced cathodes to manufacture these value-added copper rods, it also continues to sell a portion of its cathodes directly to the open market.

To bridge the volume gap created by these external cathode sales and the higher downstream rod capacity, the Company actively outsources significant quantities of both copper anodes and copper cathodes from external suppliers to produce downstream cast copper rods

The Company procures a variety of raw materials to feed its different stages of copper production, including raw copper concentrate (for the smelters), copper anodes (for the refineries), and refined copper cathodes (to directly feed the downstream rod mills). The pricing for all of these inputs is fundamentally linked to the London Metal Exchange (LME) benchmark.

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Route 1: Anode-Based Refining Route

Copper Anodes (impure copper) → Electrolytic Refining → Copper Cathodes (99.99% purity) → Copper Cast Rods / Other Downstream Copper Products

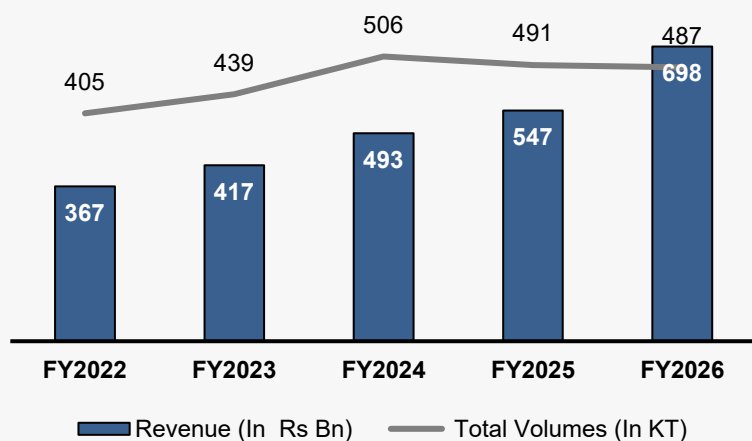
Route 2: Concentrate-to-Cathode Route

Copper Concentrate → Smelting → Copper Anodes → Electrolytic Refining → Copper Cathodes (99.99% purity) → CCR / Other Downstream Copper Products

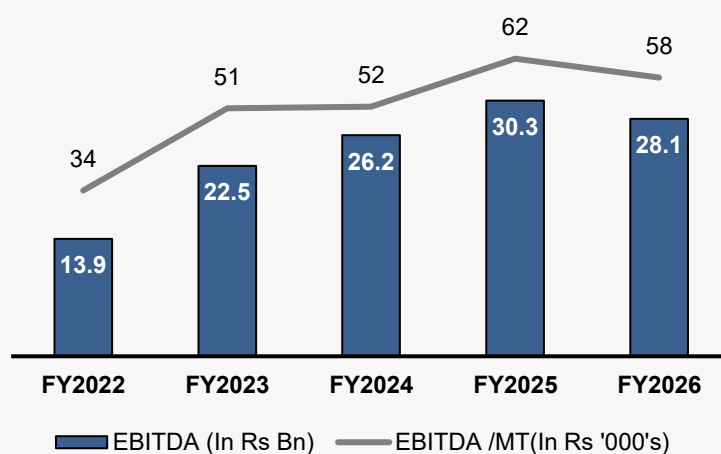
EBITDA/MT

The copper business has witnessed a significant expansion in EBITDA, increasing from Rs 13.90 Bn (Rs 34,320/MT) in FY22 to Rs 28.09 Bn (Rs 61,610/MT) in FY25, implying a ~30% CAGR over the last four years, but in recent FY26 the copper business EBITDA fall by 7% YoY to Rs 28.09 Bn (Rs 57,680 / MT) significant decrease in the global TC/RC rate due to constrain supply of copper concentrate and partial offset by realization of byproduct.

Copper – Revenue and Volumes



Copper - EBITDA and EBITDA/MT



Source: Company, Keynote capitals

Over the years this growth has been largely driven by a ramp-up in value-added product volumes, particularly Continuous Cast (CC) copper rods, which increased from 0.23 Mn MT in FY21 to 0.39 Mn MT in FY25, reflecting a ~30% CAGR. The acquisition of Polycab's ~225,000-MT Ryker Base facility (now Asoj) in Gujarat in FY22 played a key role in enabling this volume expansion.

More importantly, the Company has strategically shifted its product mix. Instead of selling basic copper cathodes, it has increasingly converted them into CC rods. Generally, the Company buys different raw materials at LME market prices and converts them into cast copper rods. This conversion value addition translates into a premium of ~Rs 12,000-15,000 per MT compared to copper cathodes. So, the basic conversion model is to pass on the LME price fluctuations and earn a conversion premium above the LME price, reducing the risk of LME price fluctuations.

For copper smelters, TC/RC rates represent processing fees charged by smelters to miners for processing ore into metal form. They can also be seen as the discount given by miners to smelters on raw materials.

For example, if the LME price is \$10,000 per MT and the TC/RC charge is \$100 per MT, the miner sells the concentrate to the smelter for \$9,900 per MT. These charges help cover smelting and refining costs and are viewed as a discount.

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The raw material, Metal in concentrate (MIC) also known as the copper concentrate is linked to LME copper prices and TC/RC changes based on the demand and supply of copper concentrate. Irrespective of copper concentrate prices, TC/RC rates are the fees deducted by smelting companies from the price of raw material paid to mining companies.

The operating margins of Hindalco and Sterlite (Vedanta Ltd) are directly dependent on TC/RC. When Hindalco buys copper concentrate from a mine, the TC/RC charge is deducted from the price of the concentrate generally passed on basis. Thus, the higher the TC/RC, the higher the deduction, and therefore, the higher the final margin for the Company.

Hindalco buys copper concentrate and sells it after smelting and refining at the LME price of copper. Therefore, irrespective of the copper price, the margin is primarily driven by the TC/RC charge and increasing product mix towards value added products.

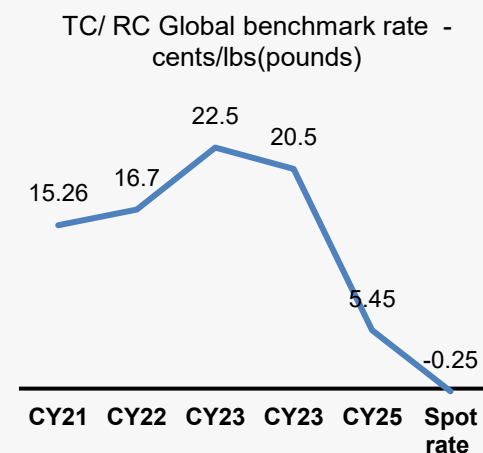
When there is a higher availability of mined ore compared to smelting capacity, smelters have stronger negotiation power to charge higher TC/RC rates (processing charges), which improves their margins and vice versa.

The annual TC/RC benchmark for CY2025 was finalised at 5.45 cents/pound, reflecting a sharp 73% YoY decline from the CY2024 benchmark of 20.5 cents/pound. The pressure intensified further in recent quarters, with spot TC/RC rates turning negative at ~0.10-0.11 cents/pound during Q2-Q3 FY26. By Q4 FY26, spot rates remained even weaker at negative ~0.21-0.25 cents/pound, primarily due to a continued supply-demand mismatch in the concentrate market.

For 2026, Chinese smelters recently finalised long-term copper concentrate contracts with Antofagasta Minerals at 0 cents/lb TC/RC rate. This reflects severe tightness in the global copper concentrate market, as Chinese smelting capacity has expanded faster than mine supply. At the same time, supply-side disruptions at key mines, including Chile-based El Teniente and Collahuasi, have reduced global ore availability. As a result, smelters are competing aggressively for limited concentrate, weakening their bargaining power and pushing TC/RC rates to historic lows.

Despite this pressure, Hindalco has managed to secure better effective TC/RC rates than the spot market : For example, in Q1 FY26, Hindalco achieved an effective TC/RC of ~\$0.11/lb, significantly higher than the CY2025 benchmark of \$0.0545/lb. This is largely because ~85-90% of its copper concentrate procurement is based on long-term contracts and based on the global TC/RC rate index ,reducing exposure to spot market volatility and create lag impact on the copper business financial.

For the remaining ~10-15% spot procurement, Hindalco has avoided negative TC/RCs by selectively buying specific cargoes, such as gold-rich concentrates or other favourable-quality material, which helps keep overall returns positive. Also, the sale high value by-products such as sulphuric acid and gold, produced during the smelting process, helps the Company manage TC/RC volatility.



Source: Company, Keynote Capitals

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Strategic Mitigations: To counter the structural decline in TC/RCs, the Company is focusing on two primary areas:

1) Copper Recycling

Hindalco is setting up a 50 KT copper scrap recycling facility, expected to be commissioned by December 2026, with a plan to eventually scale it up to 200 KT.

Since copper recycling uses scrap instead of copper concentrate, it reduces the need to procure concentrate and lowers exposure to TC/RC volatility. As a result, margins in the recycling business are expected to be healthier, potentially 2-3x higher than the traditional smelting business.

2) Focus on Downstream Value Addition

By converting cathodes into downstream products like cast copper rods, the Company earns additional fabrication premiums of Rs 12,000-15,000/MT, as mentioned by management.

Margin Buffering: These premiums are independent of TC/RC fluctuations, providing a stable revenue stream with margin improvement even when the primary smelting market is under pressure.

Because the fabrication premium from value-added products is independent of volatile TC/RC rates, an increase in the volume of copper cast rods and other Value Added Products can stabilise the Company's EBITDA margin and reduce the impact of TC/RC fluctuations. This is also supported by management commentary, where they mentioned that due to the increase in copper cast rod volumes, the Company's baseline EBITDA increased from the traditional Rs 4 Bn per quarter to Rs 6 Bn per quarter. While VAPs cannot eliminate TC/RC risk entirely, but they significantly reduce the Company's *sole dependence* on it. By converting copper cathodes into CCR, Hindalco earns an additional conversion premium on top of the base smelting margin.

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Business evolution

Foundation and Vertical Integration 1960-2000

Hindalco built an integrated aluminium chain across alumina, smelting, captive power and early downstream products like rolling, extrusion and foil.

Upstream aluminium remained the main value driver, while downstream was gradually added to deepen the portfolio

Domestic Expansion and Entry into Copper 2000-2006

Hindalco's acquisition of a 74.6% stake in Indian Aluminium Company Limited (Indal) strengthened its domestic aluminium position, increasing its primary aluminium market share from ~40% to ~47% in the early 2000s, while also expanding its downstream product portfolio with combine market share to ~70%

Entered into Copper business. Hindalco acquired the copper business from Indo Gulf Corporation Ltd (in 2003)

Global Expansion and upstream Scale-Up 2007-20

In 2007, Hindalco completed the landmark acquisition of Novelis, transforming itself into the world's largest aluminium rolling Company. During the same period, it also acquired full ownership of Utkal Alumina, strengthening its upstream aluminium base.

During FY10–FY16, Hindalco executed a ~Rs 280–300 Bn greenfield expansion across Utkal, Mahan and Aditya. The capex cycle strengthened its upstream aluminium business

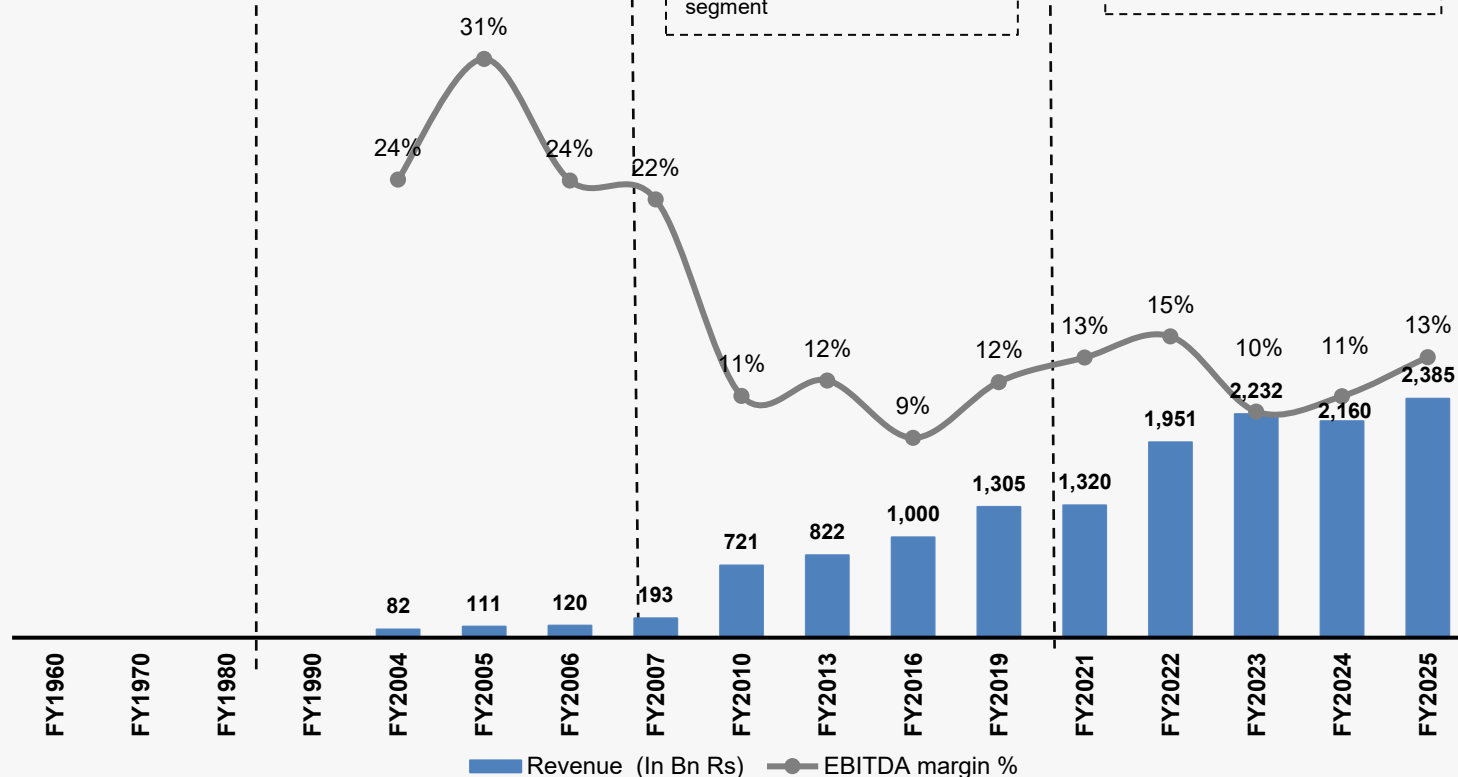
In 2020, Novelis completed the acquisition of US-based rolled aluminium products major Aleris Corporation at an enterprise value of ~\$ 2.8 Bn, giving it entry into the high-end aerospace segment

Increase focus to downstream from 2021 onwards

The Company is now focused on moving up the value chain by converting base metals into value-added and engineered products, with the aim of capturing higher margins and reducing the impact of volatile LME-linked prices.

In 2021, Hindalco acquired Ryker Base from Polycab, adding 225 KT of copper rod capacity and strengthening its downstream copper portfolio.

In aluminium, the Company has expanded into higher-value finished products such as battery foils and also acquired Hydro Kuppam's extrusion facility, to strengthen the position



Source: Company, Keynote Capitals

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Management Analysis

Key Managerial Personnel

Name	Designation	Experience (with Hindalco/overall)	Description
Mr. Satish Pai	Chairman & Managing Director	13+/41+	He graduated from IIT Madras and joined the Company in 2013. Since then, he has played a central role in shaping Hindalco's evolution into a value-added solutions provider. Additionally, appointed as Managing Director in 2016, he continues to lead the Company's strategic vision, global operations, and sustainability roadmap.
Mr. Bharat Goenka	Executive Director & Group Chief Financial Officer	1+/27+	He is a Chartered Accountant by qualification. He graduated from Calcutta University and joined the Company in 2024. Since then, he has played a central role in shaping Hindalco's evolution into its next phase of transformational growth. Additionally, appointed as Chief Financial Officer in 2025, he continues to lead the Company's strategic financial planning, capital allocation, and balance sheet management.
Mr. Praveen Kumar Maheshwari	Whole Time Director, Ex-CEO of Hindalco	14+ / 40+	He is a Chartered Accountant and an MBA graduate. He graduated from IIM Ahmedabad and joined the Company in 2011. Since then, he has played a central role in shaping Hindalco's evolution into a global leader through major M&A integrations and digital initiatives. Additionally, appointed as Whole-time Director in 2016, he continues to lead the Company's strategic vision and international board oversight.
Mr. Rohit Pathak	CEO, Copper Business	15+ / 25+	He is an Electrical & Electronics Engineer and an MBA graduate. He graduated from IIM Ahmedabad and joined the Company in 2011. Since then, he has played a central role in shaping Hindalco's evolution through leadership roles across its strategic business units. Additionally, appointed as Chief Executive Officer of the Copper Business in 2021, he continues to lead the Company's strategic vision, operational transformations, and market expansion.
Ms. Kopal Agrawal	CEO Aluminium Downstream	8+ / 22+	She is a Chemical Engineer and holds a Master's in Management. She graduated from BITS Pilani and joined the Company in 2018. Since then, she has played a central role in shaping Hindalco's evolution through strategic roles across business transformation and procurement. Additionally, appointed as Chief Executive Officer of Aluminium Downstream in 2025, she continues to lead the Company's strategic vision, product innovation, and downstream market expansion.
Mr. Steven Fisher	President, CEO of Novelis	20+ / 34+	He is a Certified Public Accountant. He graduated from the University of Iowa and joined the Company in 2006. Since then, he has played a central role in shaping Novelis' evolution into a global leader in aluminium rolling and recycling. Additionally, appointed as President & Chief Executive Officer in 2015, he continues to lead the Company's strategic vision, global operations, and premium market growth.

Source: Company, Keynote Capitals

Compensation and skin in the game

Particulars	FY21	FY22	FY23	FY24	FY25
% Promoter Holding	34.64%	34.64%	34.64%	34.64%	34.64%
Management Salary* (Rs Mn)	290	510	460	710	720
As a % of PAT	0.56%	0.36%	0.46%	0.70%	0.45%

Source: Company, Keynote Capitals Ltd.

* including contribution to PF and other funds and ESOP expenses

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Top shareholders >1% (Public Shareholders)

Name	FY22	FY23	FY24	FY25	FY26
Life Insurance Corporation Of India					4.82
SBI Nifty 50 Etf			4.64	4.45	4.19
Government Of Singapore	2.69	3.31	3.19	2.53	2.67
Nps Trust- A/C Sbi Pension Fund Scheme - State Govt					2.32
Aditya Birla Sun Life Trustee Private Limited A/C Aditya Birla Sun Life Flexi Cap Fund				1.12	1.15
LIC Asm Non Par			6.60	5.03	
ICICI Prudential Balanced Advantage Fund		2.30		1.93	
NPS Trust- A/C HDFC Pension Fund Management Limited Scheme E - Tier I			1.14	1.71	
SBI Life Insurance Co. Ltd			1.04	1.29	
ICICI Prudential Life Insurance Company Limited		1.20	1.15	1.07	
ICICI Prudential Bluechip Fund			2.25		
Life Insurance Corporation Of India & Its Associate Fund	8.44	9.65			
SBI Arbitrage Opportunities Fund		3.84			
NPS Trust - A/C Lic Pension Fund Scheme - Corporate Cg		1.12			
Morgan Guaranty Trust Company Of New Yor	3.73				
SBI Balanced Advantage Fund	3.48				
ICICI Prudential Mutual Fund And Associate Fund	2.87		1.27		

Source: Company , Keynote Capitals

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Opportunities

Aluminium replacing other metals/materials

Aluminium is not replacing other materials across every application. However, it is steadily gaining share in end-use industries where customers value its combination of lower weight, corrosion resistance, formability, recyclability and superior life-cycle economics. A few examples are highlighted below:

1) Steel to aluminium in transport - Aluminium is increasingly replacing steel in automotive applications due to its lower weight and adequate strength, enabling vehicle lightweighting. This is critical for both ICE and EVs, as lower weight improves fuel efficiency in ICE vehicles and enhances battery efficiency and range in EVs. The trend is visible in rising aluminium intensity per vehicle, which increased from ~100–120 kg in 2000 to ~158 kg in 2012 and is estimated to reach ~250 kg by 2025. Further, a European Aluminium study shows BEVs used 283 kg of aluminium versus 169 kg in ICE vehicles (~67.5% higher), indicating that increasing EV penetration will drive demand for aluminium and downstream products.

2) Copper to aluminium in power transmission and electrical applications - Aluminium is replacing copper in several electrical applications due to its significantly lower cost (around one-fourth of copper prices) and lighter weight, making it more economical for large-scale use. It is widely used in power transmission lines, distribution networks, and busbars, where lower conductivity can be offset by using a larger cross-section. The trend is supported by rising investments in grid expansion, electrification, and renewable energy, with aluminium also used in solar structures and associated infrastructure. However, aluminium is less suitable in compact, high-conductivity applications such as household wiring, high-efficiency motors, and sensitive equipment, where copper remains preferred due to better performance and lower energy losses.

3) HVAC industry (Heating, Ventilation and Air Conditioning.) and aluminium substitution - In HVAC applications such as air conditioners, refrigerators, heat exchangers, condenser coils, evaporator coils and ventilation/cooling systems, aluminium is increasingly replacing copper due to its lower cost, lighter weight, corrosion resistance and favourable thermal conductivity-to-cost ratio. The shift toward all-aluminium and microchannel heat exchanger designs supports demand for flat rolled aluminium products such as fin stock, brazing sheet and clad sheet, where Novelis is strongly positioned.

4) Packaging industry and aluminium substitution - Aluminium is gaining share in packaging, replacing plastic, glass, and steel in applications such as beverage cans, foil, and flexible packaging due to its light weight, superior barrier properties, and recyclability

Overall, aluminium's demand growth is being driven not only by end-market expansion, but also by its ability to substitute heavier, costlier or less recyclable materials across multiple applications. Here are few examples from International Aluminium Institute.

	Aluminium Market shares 2022						Aluminium Market shares 2050 (Estimated)					
	EU	USA	China	India	ROW	Global	EU	USA	China	India	ROW	Global
Electrical applications in transport infrastructure												
Winding wires in transformers	70%	70%	30%	70%	70%	50%	80%	80%	80%	80%	80%	80%
Signalling power supply cable	30%	40%	20%	40%	30%	30%	60%	60%	60%	50%	60%	59%
HVAC applications												
Heat exchanger	40%	60%	60%	10%	60%	50%	70%	70%	70%	30%	70%	65%
Construction												
Pedestrian bridges - structural components and panels	1%	1%	8%	1%	1%	3%	10%	5%	15%	5%	5%	9%
Modern large lightweight permanent structures - structural components and panels	15%	10%	20%	5%	5%	13%	20%	20%	25%	10%	10%	19%

Source: IAI , Keynote Capitals

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Capex: Aggressive expansion across upstream, downstream and recycling capacities

The Company incurred capex of Rs 316.19 Bn in FY26, reflecting a 47% YoY increase over FY25. This is part of its broader \$ 10 Bn mega capex programme, announced at the 66th AGM, to be executed over 2025-2030. The capex plan is aimed at strengthening the Company's presence across the aluminium, copper and recycling value chains, with investments spread across upstream capacity, downstream value-added products and circular economy initiatives.

Aluminium (India Business)-

During FY26, the Company commissioned and ramped up several high-value-added assets in the aluminium downstream segment, increasing downstream aluminium capacity from 430 KTPA in FY25 to ~650 KTPA in FY26. This was achieved with the commissioning of the Aditya FRP facility (170 KTPA) and the Aditya Battery Foil Mill (24 KTPA capacity), while commissioning activity for the Taloja AC Fin facility (26 KTPA) began during FY26.

Strategically, the Company is moving beyond basic commodity metal and semi-fabricated products towards more engineered and finished solutions. This shift should help improve the product mix, capture higher value per MT, and support better downstream EBITDA margins. Management has also set a target to increase downstream EBITDA by ~4x by FY30 compared to FY24, led by a rising share of value-added and finished products.

On the upstream side, the Company plans to expand alumina capacity through the Aditya Alumina Refinery, which has a capacity of 850 KTPA and is expected to be commissioned in FY28. This will increase the Company's alumina production capacity from the current 3,810 KTPA to 4,660 KTPA. In primary aluminium, the Company is expanding the Aditya Aluminium Smelter in two phases, with Phase 1 of 181 KT expected in FY28 and Phase 2 of 193 KT expected in FY29. This will increase primary aluminium capacity from the current 1,340 KTPA to 1,714 KTPA.

Novelis, Bay Minette Greenfield Facility -

Novelis is setting up a greenfield rolling and recycling facility at Bay Minette, USA, with a planned capacity of 600 KTPA, comprising ~420 KTPA of beverage can sheet capacity and ~180 KTPA of automotive and other FRP products. The project is expected to increase Novelis' total rolling capacity to ~4.8 M.

The Company has already secured long-term contracts for the beverage packaging capacity, providing strong revenue visibility once the facility is commissioned. The facility is expected to commission at the end of Q2 FY27. The Company already has spent \$ 3.2 Bn at the end of FY26.

Management expects Bay Minette to be structurally more profitable than Novelis' existing facilities, driven by superior pricing and lower production costs. The facility is expected to benefit from first-mover advantage in an undersupplied North American market, enabling Novelis to earn higher conversion premiums under long-term contracts. Management has indicated an EBITDA potential of ~\$ 1,000/MT, significantly above the Company's current consolidated EBITDA/MT run-rate.

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The facility is expected to take 16-24 months to reach optimal utilization after commissioning. While initial commissioning and trial volumes are expected around FY27, and meaningful commercial contribution is likely to start from FY28 onwards as the plant ramps up.

Copper Business -

In copper downstream, the Copper Inner Grooved Tubes facility at Vadodara with 35 KTPA capacity has reached the near-commercial stage, with trial runs and customer qualification currently underway. However, the commissioning of the Battery-Grade Copper Foil facility of 11.5 KTPA has been delayed, as battery manufacturing in India has not scaled up as quickly as initially expected. These two projects will increase the copper downstream capacity from the current 540 KTPA to 577 KTPA.

The Company is also targeting commissioning of the Copper E-Waste and Recycling facility of 50 KTPA at Pakhajan by August 2026, which falls in H1 FY27. On the copper upstream side, the Company is expanding the Dahej smelter capacity by 300 KTPA, with commissioning expected in FY29, which will expand the copper cathode capacity to 720 KTPA from the current 420 KTPA.

In FY27, the Company expects to incur capex of ~Rs 120 Bn in the India business, while Novelis capex is expected to remain elevated at ~\$ 2 Bn, largely towards the Bay Minette greenfield expansion. However, Novelis capex is likely to decline sharply from FY28 as the major Bay Minette spending phase gets completed. On the India side, capex could remain higher than the FY27 run-rate, led by acceleration of upstream projects, including Aditya Aluminium Smelter Phase 2 ramp-up and the copper smelter expansion.

Business Segments	FY25 Capacity	Commissioned During the FY26	Key Projects Under Execution	Key Projects Under Evaluation	Total Capacity (KTPA)
Aluminium upstream	1,340 KT		Aditya Smelter Expansion(Ph 1): 180 KT Aditya Smelter Expansion(Ph 1): 193 KT	Mahan Expansion: 360 KT	>2,000
Alumina	3,740 KT		Aditya Refinery: 850 KT	Aditya Refinery: 850 KT	>5,500
Aluminium Downstream	430 KT	Aditya FRP (Ph 1): 170 KT Taloja Coated AC Fin : 26 KT Aditya Battery Foil Mill : 24 KT		Aditya FRP (Ph 2): 170 KT Extrusion and Others: 30 KT	>800
Copper	Copper cathodes - 420 KT Copper VAP - 540 KT		Copper Smelter: 300 KT Inner Grove Tubes: 25 KT Battery-Grade Copper Foil - 11.5 KT Recycling: 50 KT	Copper Smelter(Ph 2): 300 KT Recycling(Ph 2): 150 KT	>1,200

Source: Company, Keynote Capitals

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Captive bauxite mine advantage

Hindalco is better placed on bauxite because its aluminium chain is structurally backward integrated: the Company's current primary aluminium capacity is ~1.34 Mn MT, while its Utkal refinery is backed by captive Baphlimali bauxite mines with 8.5 MT production capacity and ~197 MT reserves. This gives Hindalco far better raw material visibility, lower logistics dependence, and a more stable alumina-to-aluminium cost structure than peers.

For instance, Vedanta remains India's largest primary aluminium producer with ~2.4 Mn MT aluminium capacity, but its raw material integration continues to lag its smelting scale. In Q1 FY26, management indicated total bauxite requirement of just over 9 Mn MT, with ~5 Mn MT expected from OMC and other domestic sources, ~2.5 Mn MT from imports, and ~1-1.5 Mn MT from the captive Sijimali mine.

However, Sijimali did not make any meaningful contribution in FY26, as the mine remained delayed due to a prolonged approval cycle involving forest clearance, environmental clearance, compensatory afforestation, MoEFCC clarifications, LOI extension and local-level engagement. With FC Stage-I received only on 31 December 2025 and EC still awaited as of the Q4 FY26 call, commissioning has now slipped to H1 FY27, against the earlier Q1 FY26 start-up guidance, which suggest delay of 1-1.5 years of commission.

As a result, Vedanta remained largely dependent on external bauxite sourcing through OMC, other domestic suppliers and imports during FY26, keeping it exposed to third-party ore availability and cost volatility. The Company also remains partly dependent on external alumina procurement, as FY26 captive alumina production of ~2.9 Mn MT was insufficient against the implied smelter requirement of ~4.7-4.9 Mn MT. While the ramp-up of Lanjigarh and eventual commissioning of Sijimali should improve backward integration, raw material security remains a key monitorable for the aluminium business.

State	Location	Leased Area (Hactor)	Total reserves (Mn MT)	Production capacity (Mn MT) Per Annum
Chhattisgarh	Samri	3742	12.63	0.96
Jharkhand	Lohardaga	1937	21.14	3.19
Odisha	Maliparbat	268	15.06	0.6
	Baphlimali	1389	196.98	8.5
Total			245.81	13.25

Source: Company, Keynote Capitals

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Challenges

Scrap prices and availability

Novelis is the world's largest aluminium recycler and uses ~63% recycled scrap in its production process. This recycling-led model has historically provided a cost advantage, as recycled aluminium requires significantly lower energy and has a lower carbon footprint compared to primary aluminium.

However, rising global demand for low-carbon aluminium is increasing competition for scrap. Regulatory requirements, customer decarbonisation goals and the lower energy intensity of recycled aluminium have made scrap a more valuable input. As a result, scrap prices have moved higher, reducing the cost advantage that Novelis earlier enjoyed over primary aluminium. If scrap prices remain elevated, Novelis' production costs could structurally increase, putting pressure on margins and reducing the economic benefit of its recycling-led model.

To mitigate this risk, Novelis is building a more controlled and diversified scrap sourcing network. The Company is investing in advanced sorting technologies that allow it to process lower-grade or "dirtier" scrap, thereby expanding its usable scrap pool and reducing dependence on expensive clean scrap. It is also strengthening closed-loop recycling partnerships with automotive customers, where ~30-40% of aluminium coil can return as stamping scrap, providing a steady and high-quality source of scrap.

Rising LME prices create challenges

While rising LME prices generally boost revenues and benefit the upstream primary aluminium business, they create several distinct financial and operational challenges across Hindalco's consolidated operations, particularly in its downstream, Novelis and custom smelting segments.

For Novelis, rising LME aluminium prices increase raw material procurement costs and create a near-term working capital burden. Since the Company needs to purchase and process metal before selling the finished product to customers, any sharp rise in LME prices increases the amount of capital blocked in inventory. Although higher metal costs are generally passed through to customers, the timing mismatch between procurement, processing and final billing can temporarily pressure liquidity.

This impact is further amplified by the "metal price lag" in Novelis' conversion business. For primary aluminium used as a raw material, Novelis typically locks in and pays for its purchases earlier, while the final selling price charged to customers is determined at a later stage. During periods of sharp LME volatility, this lag can impact operating performance and short-term liquidity, as procurement costs rise immediately while customer pass-through happens with a delay.

The impact of rising LME prices in copper and aluminium is not limited to Hindalco's own operations. Higher metal prices also increase the working capital requirement for downstream customers, as they need to fund costlier raw material purchases and inventory before recovering the cost through end-sales.

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This can create temporary financial pressure for customers, especially smaller fabricators and downstream manufacturers. As a result, periods of sharp LME price increases may lead to slower order conversion, deferred purchases, or subdued near-term demand for Hindalco's downstream products, even if the long-term demand outlook remains intact.

Challenges in the downstream

Although Hindalco has increased its focus on aluminium downstream value-added products, including semi-finished products, the broader downstream aluminium industry continues to face structural challenges. Unlike primary aluminium, which is concentrated among a few large producers, India's downstream ecosystem remains highly fragmented, with ~3,500 MSME players and regional processors operating across extrusions, rolled products, castings, foils, wires and fabricated products. In the extrusion segment alone, India has ~450-500 players, most of which are MSMEs.

This fragmented industry structure results in intense competition, especially in standard semi-finished products. Hindalco has also acknowledged that its market share remains relatively lower in categories such as extrusions and foils, where the presence of MSME players is high.

Most of these players operate on a conversion model. They procure primary or secondary aluminium, often linked to LME prices, and convert it into semi-finished products such as extrusions, castings, foils and FRP. As a result, margins are generally thin and remain sensitive to aluminium price volatility, conversion charges, power and fuel costs, working capital cycles and intense competition.

To move away from this commoditised margin pool, Hindalco is focusing on premium and engineered downstream products such as EV battery enclosures, battery-grade foils and coated AC fins. These products require higher capex, stronger process control, R&D capability, quality consistency and customer approvals, creating entry barriers for smaller MSME players.

This shift should help Hindalco earn more than just a basic conversion spread. By moving towards specialised applications, the Company can capture a higher fabrication and technology premium, improve customer stickiness and reduce margin volatility. This premiumisation strategy is expected to support Hindalco's target of achieving a four-fold increase in downstream EBITDA by FY30, subject to timely capacity ramp-up and customer acceptance.

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Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Bn	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	2,385	2,749	3,099	3,164	3,276
Growth %		15%	13%	2%	4%
Raw Material Expenses	935	979	1,159	1,155	1,211
Employee Expenses	154	171	155	174	197
Power & Fuel Expenses	144	136	155	158	164
Other Expenses	319	323	434	411	426
EBITDA	318	349	415	411	425
Growth %		10%	19%	-1%	3%
Margin%	13%	13%	13%	13%	13%
Depreciation	79	88	170	188	198
EBIT	239	261	246	223	227
Growth %		9%	-6%	-9%	2%
Margin%	10%	9%	8%	7%	7%
Interest Paid	34	35	50	50	50
Other Income & exceptional	18	-41	29	29	29
PBT	223	185	225	203	206
Tax	63	51	61	55	56
PAT	160	134	164	148	151
Profit from associates	0	0	0	0	0
Minority interest	0	0	0	0	0
Net Profit	160	134	164	148	151
Growth %		-16%	22%	-10%	2%
Shares (Mn)	2247.2	2247.2	2247.2	2247.2	2247.2
EPS	72.08	59.59	72.96	65.78	67.05

Balance Sheet

Y/E Mar, Rs. Bn	FY25	FY26	FY27E	FY28E	FY29E
Cash, Cash equivalents & Bank	108	148	120	298	535
Current Investments	105	79	79	79	79
Debtors	198	272	279	269	262
Inventory	488	755	661	687	711
Short Term Loans & Advances	50	81	81	81	81
Other Current Assets	69	73	73	73	73
Total Current Assets	1,019	1,409	1,293	1,487	1,741
Net Block & CWIP	1,436	1,778	1,947	1,944	1,845
Long Term Investments	136	171	171	171	171
Other Non-current Assets	51	88	88	88	88
Assets held of sale	1	2	2	2	2
Total Assets	2,643	3,447	3,500	3,690	3,846
Creditors	406	616	517	570	585
Provision	70	47	47	47	47
Short Term Borrowings	72	215	215	215	215
Other Current Liabilities	107	287	287	287	287
Total Current Liabilities	655	1,165	1,066	1,119	1,134
Long Term Debt	562	756	756	756	756
Deferred Tax Liabilities	88	46	46	46	46
Other Long Term Liabilities	101	114	114	114	114
Total Non Current Liabilities	751	916	916	916	916
Paid-up Capital	2	2	2	2	2
Reserves & Surplus	1,235	1,364	1,516	1,654	1,794
Shareholders' Equity	1,237	1,366	1,518	1,656	1,796
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	2,643	3,447	3,500	3,690	3,846

Cash Flow

Y/E Mar, Rs. Bn	FY25	FY26	FY27E	FY28E	FY29E
Pre-tax profit	223	185	225	203	206
Adjustments	99	125	190	209	219
Change in Working Capital	-23	28	-12	37	-3
Total Tax Paid	-55	-65	-61	-55	-56
Cash flow from operating activities	244	273	343	394	367
Net Capital Expenditure	-204	-298	-339	-185	-98
Change in investments	-73	-13	0	0	0
Other investing activities	30	45	29	29	29
Cash flow from investing activities	-247	-266	-310	-156	-69
Equity raised / (repaid)	0.49	0.47	0	0	0
Debt raised / (repaid)	35	265	0	0	0
Dividend (incl. tax)	-8	-11	-11	-10	-11
Other financing activities	-46	-53	-50	-50	-50
Cash flow from financing activities	-18	201	-61	-60	-60
Net Change in cash	-21	208	-28	178	237

Valuation Ratios

	FY25	FY26	FY27E	FY28E	FY29E
Per Share Data					
EPS	72	60	73	66	67
Growth %		-17%	22%	-10%	2%
Book Value Per Share	551	608	676	737	799
Return Ratios					
Return on Assets (%)	6%	4%	5%	4%	4%
Return on Equity (%)	14%	10%	11%	9%	9%
Return on Capital Employed (%)	12%	11%	9%	8%	7%
Turnover Ratios					
Asset Turnover (x)	1.0	0.9	0.9	0.9	0.9
Sales / Gross Block (x)	1.2	1.3	1.3	1.2	1.2
Working Capital / Sales (%)	12%	11%	8%	9%	15%
Receivable Days	28	31	32	32	30
Inventory Days	113	128	133	122	124
Payable Days	88	92	112	97	101
Working Capital Days	53	68	54	57	52
Liquidity Ratios					
Current Ratio (x)	1.6	1.2	1.2	1.3	1.5
Interest Coverage Ratio (x)	7.8	8.3	5.5	5.1	5.1
Total Debt to Equity	0.5	0.7	0.6	0.6	0.5
Net Debt to Equity	0.4	0.6	0.6	0.4	0.2
Valuation					
PE (x)	9.2	18.3	15.0	16.6	16.3
Earnings Yield (%)	11%	5%	7%	6%	6%
Price to Sales (x)	0.6	0.9	0.8	0.8	0.7
Price to Book (x)	1.2	1.8	1.6	1.5	1.4
EV/EBITDA (x)	6.3	8.4	7.1	7.1	6.9
EV/Sales (x)	0.8	1.1	0.9	0.9	0.9

Source: Company, Keynote Capitals Ltd. estimates

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Valuations

Particulars	FY26	FY27E	FY28E	FY29E	Multiplier	EV
Aluminium Business*						
Volume Sold (KTPA)	1,367	1,367	1,376	1,473		
Realization (Rs./T)	3,32,370	3,51,790	3,36,214	3,18,214		
Revenue (Rs. Bn) (ex intersegment)	454	481	462	469		
EBITDA (Rs. Bn)	199	211	188	183	7	1,319
Novelis						
Volume Sold (KPTA)	3,702	3,864	4,176	4,464		
Realization (Rs./T)	4,31,310	4,49,058	4,31,575	4,12,675		
Revenue (Rs. Bn)	1,597	1,735	1,802	1,842		
EBITDA (Rs. Bn)	145	168	185	202	8	1,484
Copper Business						
Volume Sold (KPTA)	487	540	551	590		
Realization (Rs./T)	14,34,045	16,34,100	16,34,100	16,34,100		
Revenue (Rs. Bn)	698	883	900	965		
EBITDA (Rs. Bn)	28	36	37	40	7	262
Value of Investments						
Equity	135					
Discount (%)	40%					81
Debt	122					122
EV (Rs. Bn)						3,267
Debt (Rs. Bn)						971
Cash (Rs. Bn)						298
Mcap (Rs. Bn)						2,594
No. of shares (in Bn)						2
Target Price (Rs.)						1,154
Current Price (Rs.)						965
Upside (%)						19.6%

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Company growth from FY27E to FY29E is expected to be primarily driven by volume expansion and London Metal Exchange (LME) prices across both metal businesses. Over the forecast period, volumes are projected to rise due to new capacity coming online alongside a gradual improvement in capacity utilization. As of June 3, LME aluminium prices have surged to \$ 3,790, surpassing a 4-year high of \$ 3,709. This spike is primarily driven by the ongoing conflict in the Middle East. Because this region contributes ~ 9% of global aluminium production, the war and the blockade of the Strait of Hormuz have severely disrupted local output. This disruption has impacted the global aluminium market, resulting in a sharp price increase. However, as conditions eventually normalize, we anticipate that the region's production will recover over the forecast period. This will ease the current supply-demand mismatch and likely return aluminium prices to pre-war levels. Meanwhile, LME copper prices are expected to remain stable.

As an integrated player in the aluminium value chain with captive bauxite mines, the EBITDA of the Company's aluminium upstream segment will be largely driven by the spread between LME prices and bauxite costs. Consequently, rising LME prices are expected to expand the Company's EBITDA/MT.

To capture higher value and transition away from being a basic metal producer, the Company is establishing advanced engineering and finished goods facilities in its downstream aluminium and copper segments. These engineered products will yield higher conversion premiums compared to basic extrusions and Flat Rolled Products (FRP). Furthermore, these elevated conversion premiums will help shield the Company's EBITDA from LME price volatility.

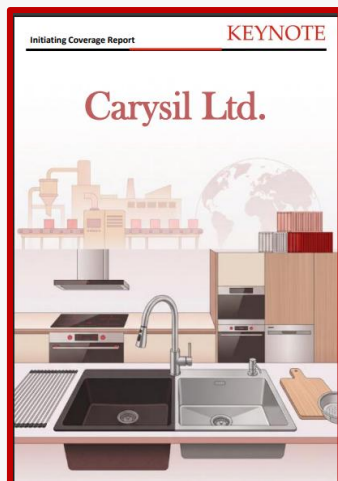
In the copper segment, the Company is setting up a recycling facility. Utilizing recycled copper in copper cathode production will help to partially mitigate margin fluctuations stemming from volatility in Treatment Charge/Refining Charge (TC/RC) rates in the copper concentrate procurement.

On Novelis side, the upcoming Bay Minette facility which has an expected ramp-up period of 18 to 24 months and an increasing share of recycled content in the production process, Novelis' EBITDA is projected to reach \$ 600/MT in mid terms.

Based on these structural growth factors, we initiate coverage on HINDALCO with a BUY rating. We value the business at an Enterprise Value (EV) of Rs 3,267 Bn based on FY28E estimates, implying an upside potential of 19.6%.

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Carysil Ltd.



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Enviro Infra Engineers Ltd.

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NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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